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Molson 2003 Annual Report  
**Continuing to Deliver**

## Profile

Molson's vision is to remain one of the top performing brewers in the world as measured by long-term shareholder value. To realize this vision, Molson will continue to deliver annual EBIT, volume and market share targets in Canada, Brazil and the United States.

### Driving continuous improvement in Canada

Molson recognizes that reducing costs and achieving global brewing standards are key to profitable growth in Canada. The Corporation will pursue continuous improvement, building on significant progress made since 2001, and strive to reach performance levels that match global brewing standards.

### Capitalizing on growth opportunities in Brazil and the United States

Molson continues to pursue growth in Brazil, which is the fourth largest beer market in the world. Molson has a 50.1% interest in Molson USA that markets and sells the Molson brands in the United States, one of the fastest growing import beer markets in the world.

### Ensuring the vitality of the brand portfolio through innovation

Molson believes that innovation is critical to building strong brands and maintaining the vitality of established brands. The Corporation will leverage innovation in all beer segments of the Molson owned portfolio to build brand equity and improve the future outlook of market share.

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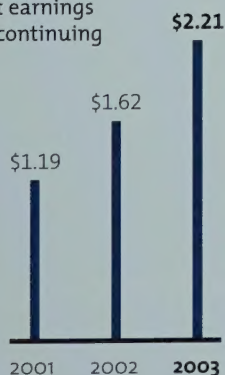
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## Financial Summary

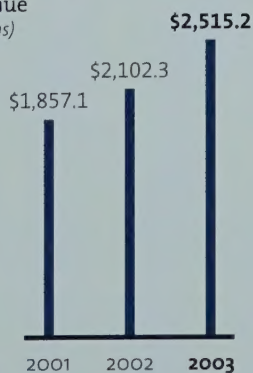
	2003	2002
<b>Operating Results</b> <i>(Dollars in millions)</i>		
Net sales revenue	<b>2,515.2</b>	2,102.3
Comparable earnings before interest, income taxes and amortization (EBITDA)	<b>580.5</b>	426.4
Comparable earnings before interest and income taxes (EBIT)	<b>515.6</b>	371.8
Comparable net earnings from continuing operations	<b>281.7</b>	194.1
Net earnings	<b>312.4</b>	177.6
Cash flow from operations before working capital and rationalization costs	<b>370.1</b>	292.3
<b>Per Share</b> <i>(Dollars)</i>		
Comparable net earnings from continuing operations	<b>2.21</b>	1.62
Comparable net earnings	<b>2.21</b>	1.64
Earnings from continuing operations	<b>2.45</b>	1.46
Net earnings	<b>2.45</b>	1.48
Dividends declared	<b>0.42</b>	0.38
<b>Financial Position</b> <i>(Dollars in millions)</i>		
Total assets	<b>3,914.6</b>	4,506.3
Long-term debt	<b>1,180.0</b>	1,687.2
Shareholders' equity	<b>1,033.0</b>	1,173.9

N.B. All dollar amounts in the Annual Report are expressed in Canadian dollars, unless otherwise stated.

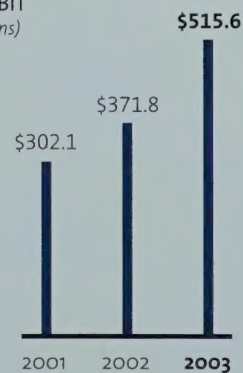
Comparable net earnings  
per share from continuing  
operations



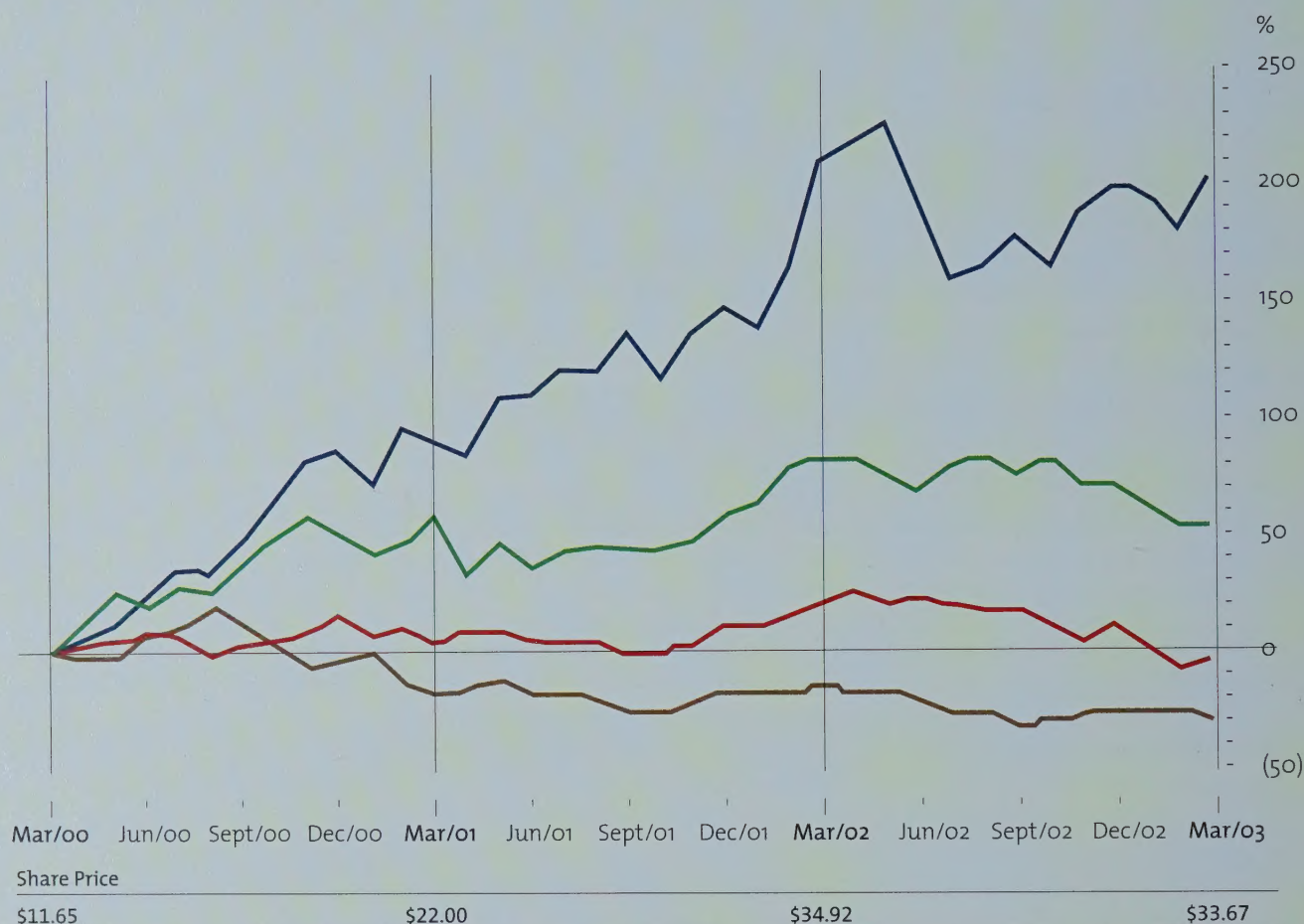
Net sales revenue  
*(Dollars in millions)*



Comparable EBIT  
*(Dollars in millions)*



## Molson Shareholder Return Since April 2000



**Total Return**

*Includes dividend reinvestment*

**92.6%**

**60.9%**

**(2.3%)**

Total Return	Fiscal 2001	Fiscal 2002	Fiscal 2003
■ Molson Class A non-voting shares	92.6%	60.9%	(2.3%)
■ Bloomberg Europe 500 beverages index	4.4%	15.3%	(21.2%)
■ S&P 500 brewers index	57.9%	16.0%	(17.3%)
■ S&P/TSX composite index	(18.6%)	4.9%	(17.6%)

Molson continued to deliver on the commitment to remain one of the top performing brewers in the world. For fiscal years 2001 and 2002, Molson ranked #1 among top performing brewers. For fiscal 2003, the Corporation slipped to #4 position. For the three-year period, Molson remains the top performing brewer with a 203% return.



## **Capitalizing on Opportunities in Brazil to Build Sustainable Shareholder Value**

Molson has become the 2<sup>nd</sup> largest brewer in Brazil, a country that is expected by 2010 to overtake Germany as the third largest beer market in the world. In fiscal 2003, Molson's beer volume in Brazil represented 51.7% of the Corporation's total production, surpassing Canada, its traditionally largest market.



# Continuing to Deliver

After three years, the title of the Annual Report has changed, but the commitment has not. The new theme “Continuing to Deliver” has been modified to reflect the continuous opportunities available to the Corporation as well as the ongoing commitment of employees to sustained and continued performance.



Molson delivered a record financial performance in fiscal 2003: operating profit of \$516 million; net earnings of \$312 million; net earnings per share of \$2.45. For the fourth consecutive year, Molson delivered on commitments and for the past four years, financial performance has exceeded targets quarter after quarter, year after year.

Over the past four years, the Corporation's quest to become and remain one of the top performing brewers in the world has driven results beyond expectations. Today, Molson is a global player and the fifteenth largest brewer in the world. Reaching that point has required focus, commitment and tremendous work from people in the organization.

The strength of the fiscal year performance does not fully convey the extent to which Molson was challenged throughout the past twelve months. Molson was confronted with aggressive price competition in Canada. In Brazil, Molson did double duty: it merged two acquisitions into one company and developed a three-year strategic plan, while responding to a very volatile economic and political environment. In the United States, Molson made significant efforts to reorganize around a business and distribution partner, Coors Brewing Company (Coors). And, as the year came to a close, Molson recognized that the challenges of fiscal 2003 had served to strengthen the Corporation for many years ahead.

Fiscal 2003 marked the end of the original three-year plan developed in line with the new vision. Much was achieved. A new strategic plan drawn up with management input from all areas of the business was developed during 2003 to set the course for the next several years.

The main corporate objectives underlying the plan are unchanged:

- Grow operating profit by 14.5% annually**
- Grow market share**
- Grow volume by 4% to 5% annually**
- Organizational renewal**
- Improve quality**

The strategic planning highlighted many of the Corporation's strengths going into the new three-year period and pinpointed the areas that required bolstering and deeper focus. It identified the strategic levers that must be activated to deliver the objectives. The planning exercise also drove home the fact that success in all markets hinges on rigorous and effective implementation of sales and marketing plans. Overall, it left the Corporation with a deep understanding of what is required from the management teams to deliver on the objectives for continued success.

The learnings from this planning exercise confirmed the importance of organization renewal and quality improvement, two areas that will impact the attainment of the corporate objectives. Considerable time and effort was spent in developing two organizational programs – top talent mentoring and leadership development. Both of these programs are targeted at the best and brightest people within the organization and were put in place during the course of the year. As well, part of Molson's future success hinges on the ability of the core brewing operations to measure up to "best-in-class" standards. To that end, an initiative called "Renaissance in Brewing" has been put in place. Through this initiative, Molson will completely upgrade and modernize operations in all breweries over a six-year period with the objective of leaving a valuable legacy to the next generation of Molson employees and ensuring Molson remains synonymous with the highest quality beer in the world.



## **The Molson Strategy**

Molson remains focused on five key objectives for sustainable shareholder value which were introduced in June 1999:

CANADA

BRAZIL

UNITED STATES

- 1 Grow operating profit by 14.5 % annually**
- 2 Grow market share annually**
- 3 Grow volume by 4% to 5% annually**
- 4 Organizational renewal**
- 5 Improve quality**



Fiscal 2003 marked the end of the three-year Economic Value Added (EVA®) Incentive Program which is at the heart of Molson's pay for performance philosophy. Based on the favorable impact over the period, Molson has designed a follow-up three-year program. As before, the plan, which now includes the Brazilian employees, will reward individuals for making decisions that achieve long-term sustainable EVA improvement and profitable growth.

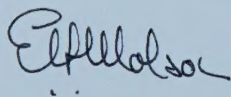
As a result, Molson shareholders can continue to expect a Corporation committed to delivering on commitments and more driven than ever to succeed. The plans are in place and the Corporation is building from a solid foundation.

### Acknowledgements

The fiscal 2003 performance was the direct result of the dedication and commitment of all Molson employees. A lot was asked of them and the Corporation wishes to extend its gratitude to all employees in Canada, Brazil and the United States. If past performance is an indication of the future, Molson shareholders can look forward to the Corporation *continuing to deliver* on commitments.

Molson would also like to acknowledge the contribution of the members of the Board of Directors. Their guidance and support throughout the year was extremely appreciated. Mr. John Cleghorn, former President and Chief Executive Officer of the Royal Bank, is being proposed as a new member of the Board. We look forward to his contribution which will build on his rich business experience.

Finally, a chapter was sadly closed in the Molson history on September 30th 2002, with the passing of Senator Hartland de Montarville Molson. Senator Hartland Molson was a member of a Molson generation that played an important role in the Corporation's expansion after the Second World War and into the late '60s. A visionary and builder, he was President of Molson from 1953 to 1966 and Chairman from 1966 to 1974. In all that he did, he set the highest standards of performance for himself, a characteristic that, to this day, still transcends the organization.

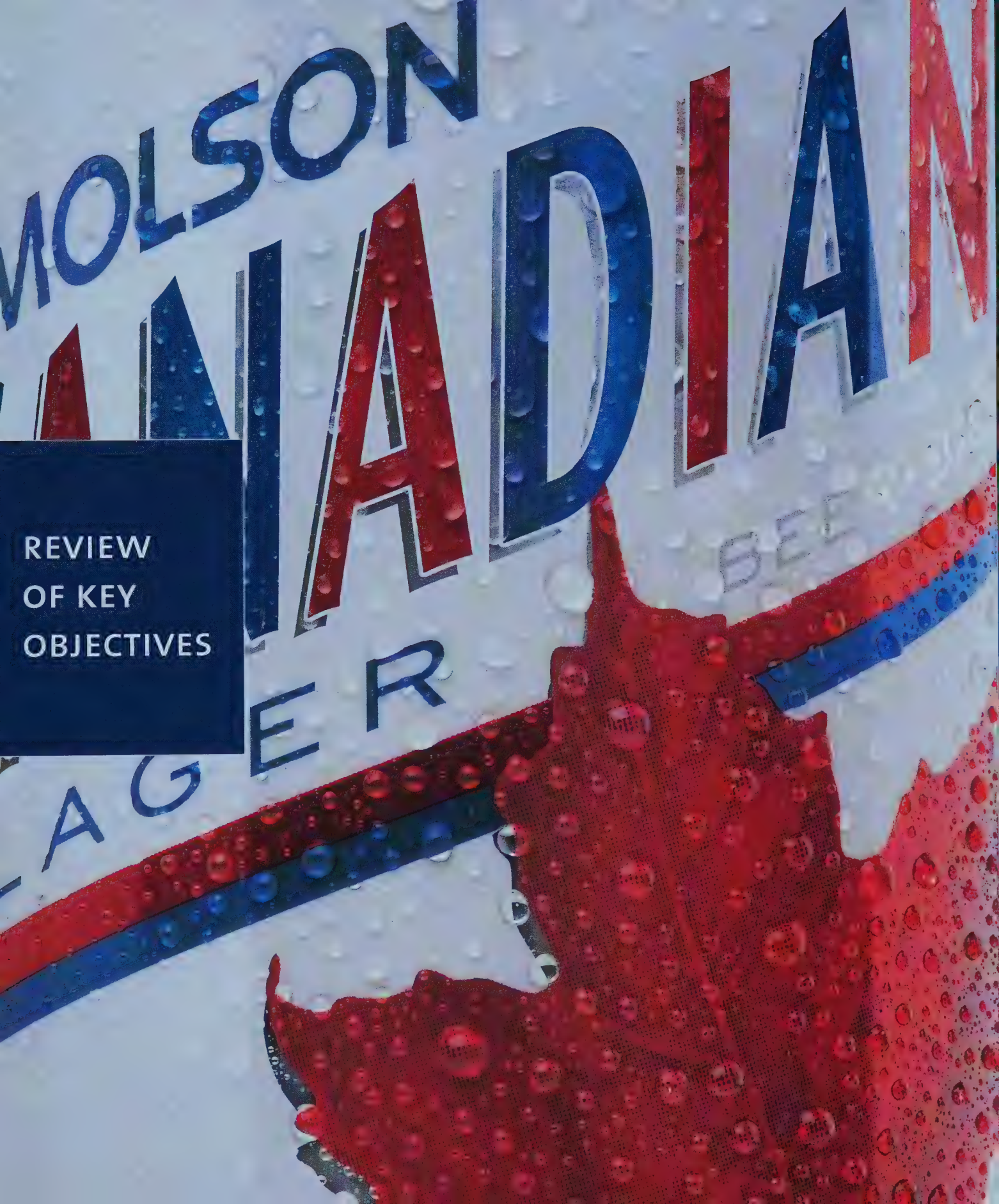


Eric H. Molson  
Chairman of the Board



Daniel J. O'Neill  
President and Chief Executive Officer





MOLSON  
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# Grow Operating Profit

Molson is committed to providing long-term shareholder value and delivered once again strong financial performance in fiscal 2003. Comparable EBIT growth of 39% exceeded the Corporation's long-term EBIT growth target of 14.5%. Double digit comparable EBIT growth has now been posted for 16 consecutive quarters.



## Cost Savings

Three years ago, Molson announced an ambitious cost savings program in Canada called Project 100, designed to trim \$100 million in costs over a three-year period.

One year into that project, sufficient cost savings had been identified to warrant increasing the target to \$150 million in cost savings. Fiscal 2003 brings Project 150 to a close. The program was a success, ultimately exceeding the target and delivering \$152 million in savings.

Over the three-year span of Project 150, capacity utilization savings reached \$33 million through the improved use of brewery assets and the modernization of equipment. Best-in-class practices and the strategic sourcing of materials led to procurement savings of \$46 million. Costs savings of \$20 million for distribution were achieved through capital investment, increased productivity and integration of the supply chain. Savings in organizational costs of \$38 million were realized through restructuring and information technology infrastructure upgrades. Marketing and sales cost savings totalled \$15 million.

## Alignment of Shareholder and Employee Interests

Molson's Employee Share Ownership Program (MESOP) encourages employees at every level of the Corporation to think and act as shareholders. The percentage of Molson employees in Canada owning stock held steady at 60% this year and the total number of employees participating in the stock option plan rose to 196. The Corporation continues to require senior executives to maintain minimum shareholding requirements, a policy that contributes to their focus on value creation.

## Economic Value Added

Molson is committed to an Economic Value Added (EVA®) program, which underpins the Corporation's efforts to grow operating profit with the efficient use of shareholders' capital. After completing the initial EVA plan at the end of fiscal 2003, Molson has introduced a new three-year plan that reflects the Corporation's increased capital base resulting from the addition of the Brazilian operations. The annual EVA threshold has been increased accordingly.

### Canada

Molson's success with Project 150 and an extensive Global Benchmarking Study completed in 2002, measuring best-in-class global brewing practices, inspired the Corporation to embark on a second cost savings program for the next three-year period. Project 100, a sequel to the Project 150, was announced in March 2002, with the goal of achieving \$100 million in savings over the fiscal 2004 to 2006 timeframe. Since the sequel program was announced, Molson identified additional opportunities for cost savings and, accordingly, the target was increased to \$125 million.

In the Ontario/West region, operational cost savings, modest price increases and the elimination of inefficient marketing activities increased profitability. A new can line in Vancouver, a new packaging line in Edmonton and a new bottling line in Toronto were installed to improve profitability by reducing shrinkage, augmenting productivity and enhancing Molson's ability to meet market demands in the region.

In the Quebec/Atlantic region, Molson moved into a new 225,000 square-foot mega warehouse in the Montreal area, enabling more centralized and efficient order processing, while the regional warehouse network was revamped. As a result, 21 of the 35 regional warehouses are being downsized and converted into cross-docking facilities. The new mega warehouse facility, with its sizeable inventory capabilities, was operational in January and has the capacity to process 55% of the total volume of product sold in Quebec.

### Brazil

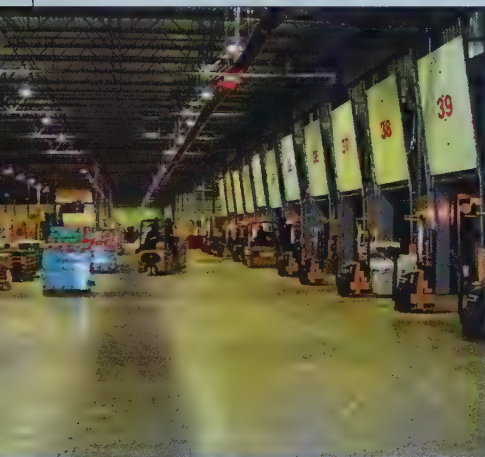
Molson's Brazilian operations completed a three-year strategic plan designed to improve distribution, enhance the bottler relationships and grow profitability. The foremost target is to increase EBITDA margins to reduce the gap with the current Brazilian market leader. Kaiser is also entering the second year of a three-year Real\$100 million cost savings strategy called Projeto Cem, aimed at reducing expenses in capacity utilization, procurement, logistics and organization while creating revenue synergies. In fiscal 2003, the project had realized approximately R\$73 of the total R\$100 million savings targeted. Subsequent to the end of the fiscal year, Molson revised Projeto Cem, increasing the cost savings target to R\$200 million and renamed it Projeto Duzentos (Project 200).

### United States

In fiscal 2003, Molson USA focused on slowing the double digit decline of the two established brands – Molson Golden and Molson Ice – and on building the Molson Canadian™ brands. The US business engineered an important turnaround and recorded total volume growth for the first time in eight years. The impact of this growth resulted in a \$1 million improvement over the originally projected fiscal 2003 EBIT.

### Project 150

Fiscal 2003 marked the last year of Molson's Project 150, a three-year \$150 million cost savings program introduced in Canada to move the EBITDA/Net Sales margin up to global brewer levels.



From fiscal 2000 to fiscal 2003, the Corporation delivered \$152 million in cost savings derived from enhanced capacity utilization, procurement and distribution, organizational restructuring and technology infrastructure upgrades, as well as marketing and sales. This performance contributed significantly to Growing Operating Profit.

## REMAIN FOCUSED ON GROWING OPERATING PROFIT

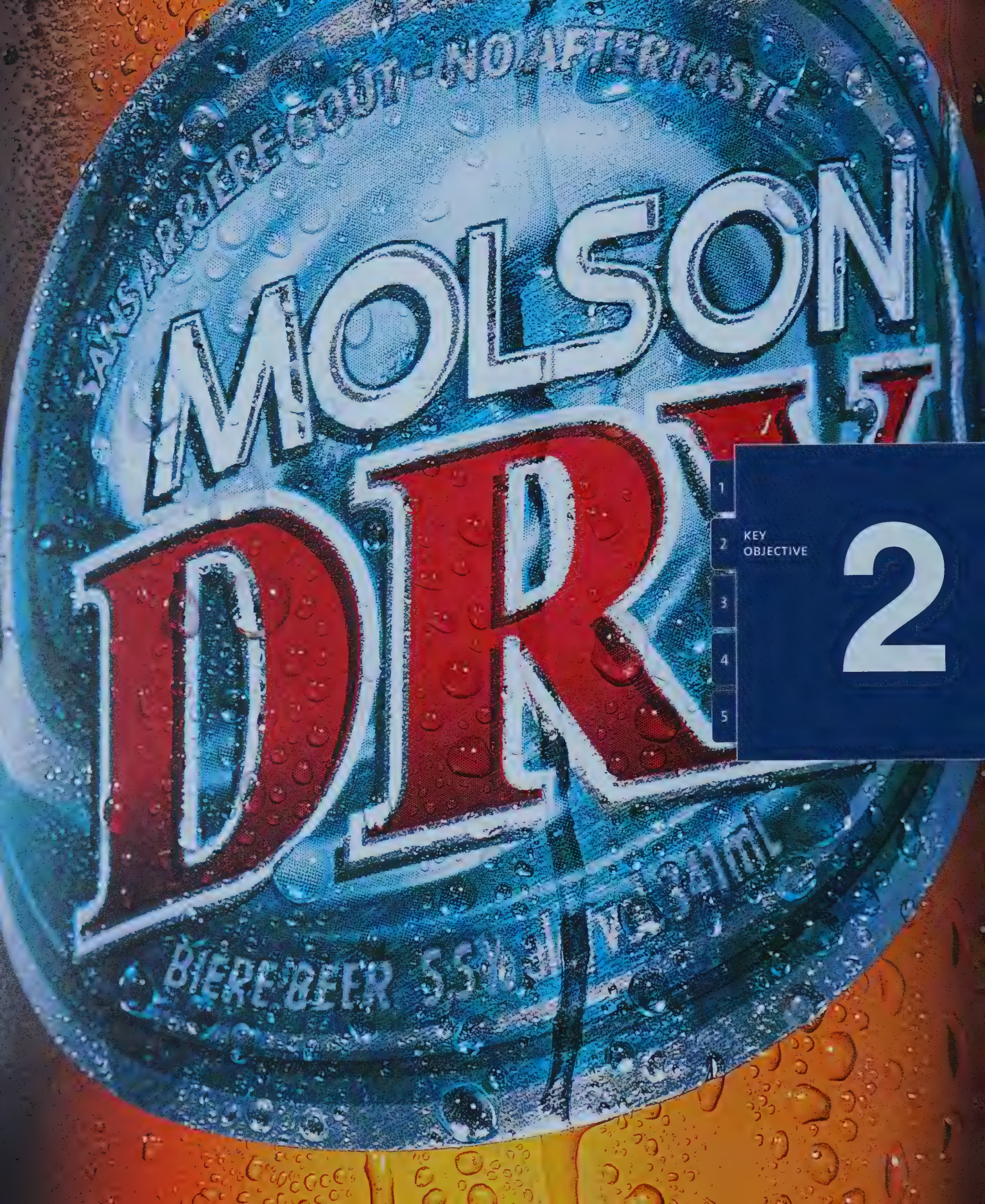
### Project 125

The \$100 million cost savings program announced in March of 2002, for the fiscal 2004 to 2006 period, was increased to \$125 million and renamed Project 125. It aims to align Molson's cost structure in Canada with those of the "best-in-class" global brewers as documented in an extensive Global Brewing Benchmark Study completed in 2002.



### Projeto Cem

Launched in May of 2002, Projeto Cem focused on delivering operational savings in Brazil over a three-year period through revenue synergies, improved capacity utilization, procurement practices and distribution logistics, as well as organizational right-sizing. In the first year, Projeto Cem exceeded expectations, delivering approximately R\$73 million in savings. Additional cost savings opportunities were identified and Projeto Cem was expanded to **Projeto Duzentos** (Project 200). The objective is to improve the profitability level of Kaiser and move profit margin levels closer to those of the market leader.



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# Grow Market Share

Molson continued to gain share with the core brand portfolio in Canada. The Corporation is highly committed to profitable market share growth of core brands in each country where it operates.

## Canada

Molson is focused on building profitable market share for its core brands and, during fiscal 2003, the Corporation moved in that direction, while also enhancing the beer portfolio with several product innovations. The Molson core brand portfolio grew by 1.0 share points, while the total market share slipped from 45.1% to 44.4%.

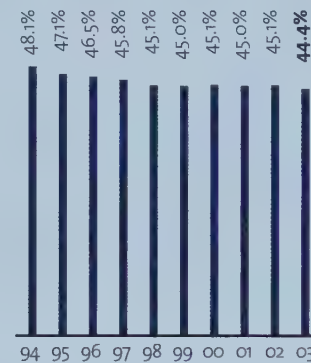
Performance for Molson brands in Atlantic Canada was exceptional, with total market share growing 1.8 share points in the region. This momentum has been building over two years and stems from Molson regaining complete marketing control over its brands.

In Quebec, core brand share grew significantly, up 3.3 points, while total share slipped slightly. The Molson Dry trademark gained ground based on new advertising and the launch of Smooth Dry, and remains the #1 selling beer in the retail market (includes grocery and convenience stores). Molson Export share declined marginally, whereas the Black Label brand was successfully repositioned in Quebec at near-premium pricing and produced a share gain exceeding 2.0 points.

In the Ontario/West region, the focus on building profitable share resulted in lower overall market share in fiscal 2003, in part as a result of Molson's decision to limit the use of expensive in-case promotions that drove volume. Further affecting total market share was the fact that, in two major beer markets, Ontario and Alberta, Molson faced deep discount competitors and matching the competition's price would have caused Molson to be at odds with the focus on profitable market share. The Molson Canadian trademark was particularly affected by both these decisions.

On the light beer front, Molson continues to lead the segment through a license agreement to manufacture, sell and distribute Coors Light, the country's top selling light beer. Molson introduced Ex Light in Quebec with the objective of capturing the #2 position in the segment.

Market share in Canada



In the super premium segment, Molson expanded the Rickard's family with Rickard's Honey Brown and launched the Rickard's Taster 12 Pack, a sampler case which includes three types of Rickard's beers. In addition, Molson introduced A Marca Bavaria, an imported lager from Brazil, targeted at the highly profitable and fast-growing import segment, where Molson is a market leader with the Heineken, Corona and Miller Genuine Draft (MGD) brands.

### **Brazil**

Within Brazil, the beer market declined 1%, driven by the fluctuating currency and uncertain economy. Consequently, Molson concentrated efforts on reconfirming the leadership position of Kaiser Pilsen in the regional areas where it is a leading brand and on accelerating the brand penetration in the on-premise market. A crucial component of this effort was improving distribution capabilities through a stronger relationship with the Brazilian Coca-Cola bottlers who reach more than one million points of sale throughout the country.

### **United States**

Molson USA continued to focus on creating momentum for the Molson Canadian trademark in the import beer segment, while slowing the market share erosion of Molson Golden and Molson Ice.

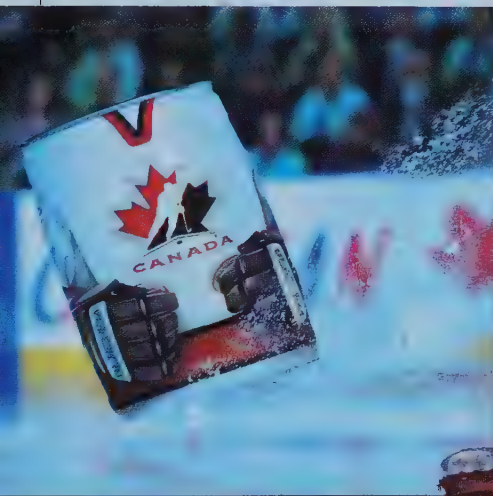
The opportunity remains substantial: the import segment in the United States represents 22 million barrels (25.8 million hectolitres) of the total beer market, which exceeds the size of the total beer market in Canada. In fiscal 2003, imports grew 6%, and Molson USA is committed to investing in the US market in order for the Molson Canadian trademark to capitalize on and exploit this growing segment.

Distributors played and continue to play a crucial role in the growth of the Molson brands in local markets. As a result, Molson continued to selectively align itself with the appropriate local market distributors committed to and focussed on the growth of the Molson brands.

## Grow Market Share – Highlights

### Bubba

Molson's 5-litre kegs delivered remarkable volume and share in fiscal 2003 right across Canada and into the United States. BUBBAs sporting NHL and Team Canada jerseys sold out early in virtually every market, hitting a 1.0% share across the Ontario/West region and a 1.2% share in each NHL market.



### Hockey

Molson's sponsorship of the World Junior Hockey Championships in Halifax, as well as the Corporation's return to buying media on Hockey Night in Canada broadcasts, consolidated Molson's supremacy in the hockey market. Molson remains synonymous with hockey in Canada, from grassroots to recreational hockey, through Junior, AHL, NHL and Canada's national teams. The Corporation is also a premiere sponsor of the Hockey Hall of Fame.



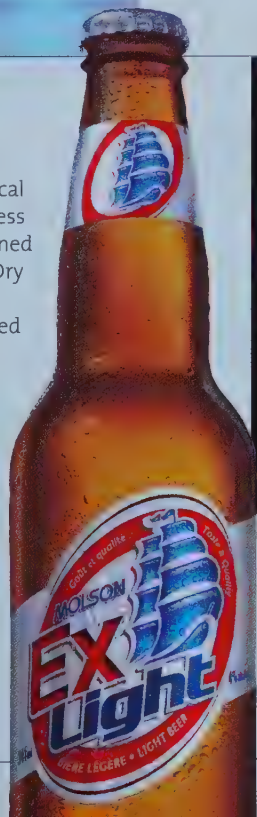
### Molson Indy

The Molson Indy was inaugurated in Montreal in August 2002, enabling the expansion of the Molson Indy brand into Quebec. The event attracted 172,000 spectators over a three-day period surpassing weekend attendance totals for Molson Indy Toronto 2002 – 168,421 and Molson Indy Vancouver 2002 – 161,728. Combined attendance for all three races reached an all-time record of more than 500,000.

### Product Innovation

Molson picked up the pace in product innovation during fiscal 2003, building on the awareness and popularity of existing owned trademarks: Molson Smooth Dry was introduced in Quebec, Rickard's Honey Brown emerged as the new Rickard's family member and Molson Ex Light entered the light segment, leveraging the heritage and appeal of Molson Export.

A Marca Bavaria topped off the innovation activity: a new golden import from adventurous and exotic Brazil, brewed by Molson in the Rio de Janeiro region.



### Twin Labels

Molson introduced "Twin Labels" on the Canadian trademark bottles in the United States market in fiscal 2003 with resounding success. The concept, which involves a second label featuring conversation starters in the form of witty phrases and racy slogans generated major "buzz" among United States beer consumers and was subsequently introduced in the Ontario on-premise market in January 2003. The twin labels met with great enthusiasm and were sought after items by young adult consumers.





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# Grow Volume

Molson volume fell slightly in Canada, grew marginally in the United States and increased substantially in Brazil.

## Canada

New products in the value, light, super premium domestic and super premium import segments were launched and contributed to volume in fiscal 2003, although Molson's volume was off pace with overall industry growth.

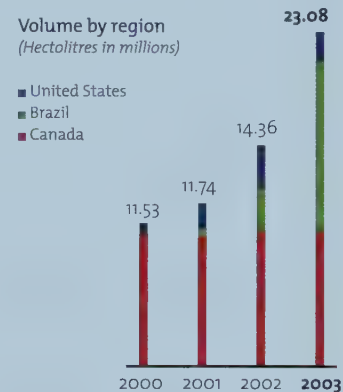
Molson strengthened its relationship with several key national on-premise customers and continued as preferred supplier to, among others, Cara Operations, Boston Pizza, The Keg® and Prime Restaurants Group. As these customers expand, volume can be expected to increase.

A similar relationship was built with HMS Host, one of the largest operators of airport food and beverage establishments in Canada, and covers Canada's five largest airports: Vancouver, Calgary, Toronto, Montreal and Halifax. It offers an excellent showcase for Molson brands, especially through the "Molson Pub" established in Pearson International Airport in Toronto and "The Maritime Ale House by Molson" located in the Halifax International Airport.

A new can line in the Vancouver brewery, capable of operating at 1,600 cans per minute, has enabled Molson to better meet the market preferences and volume demands of Western Canada. The new bottling line in the Toronto brewery, installed and tested in the latter part of the fiscal year, will dramatically enhance volume capabilities. Molson is also poised to meet future volume demands in Canada, through upgrades to brewing facilities in St. John's, Toronto and Edmonton.

## Brazil

The completion of the Cervejarias Kaiser acquisition in 2002 added significant volume growth to Molson's Brazilian operations. Among the future priorities of Kaiser is the pursuit of expanded distribution opportunities across the country through the Coca-Cola bottlers' network, which will contribute to volume growth.





## United States

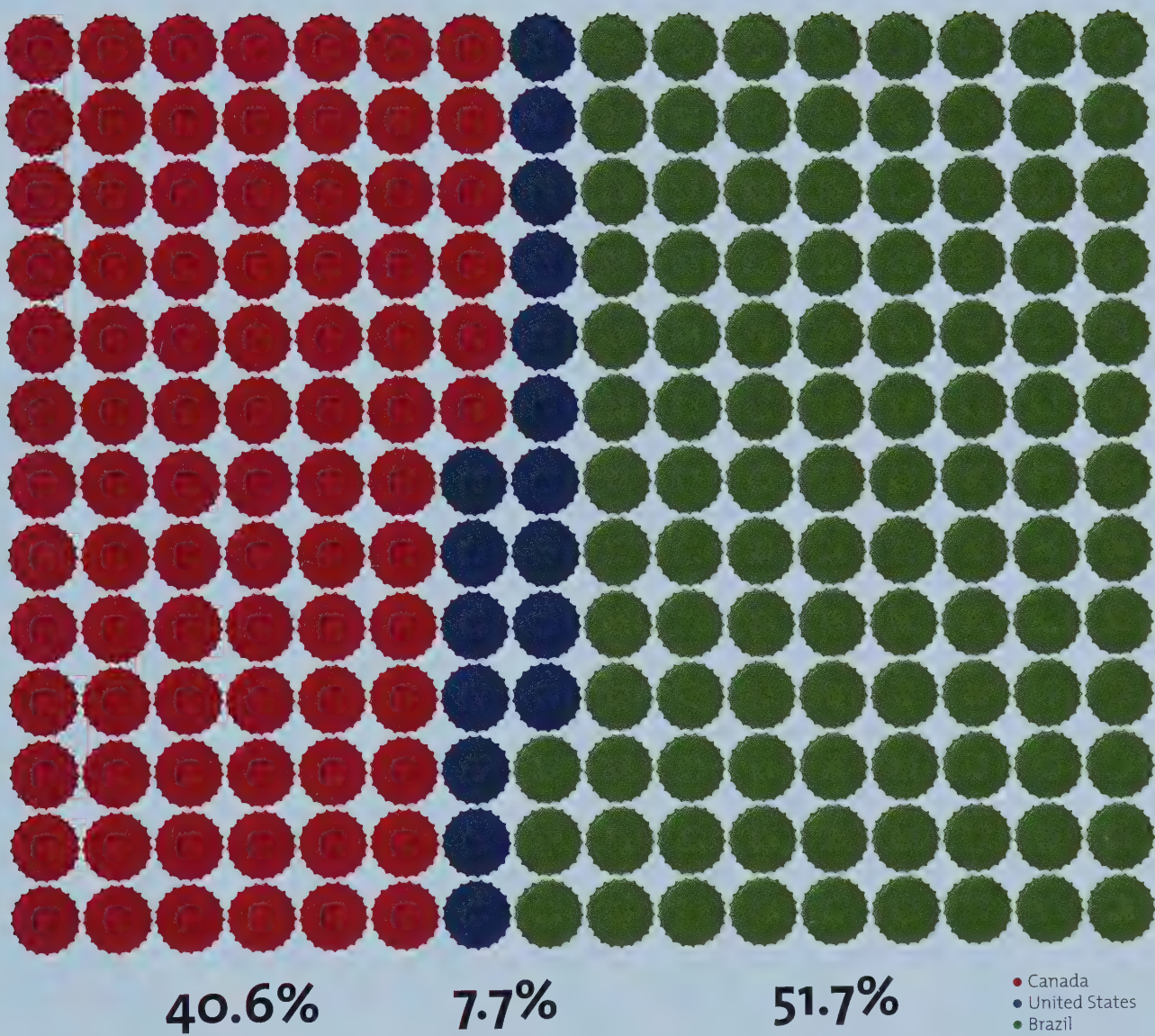
Fiscal 2003 marked the first year, after five years of double digit decline, in which Molson USA grew volume in the United States. Volume for Molson Ice and Molson Golden was down 12% and 15% respectively; volume for the Molson Canadian trademark grew 39%. This reflected Molson USA's strategy of aggressively growing the Canadian trademark in key US markets.

At year-end, Molson Canadian was the fastest-growing import brand in the United States. Molson Ice was supported mostly through point of sales material and promotional pricing, while Molson Golden's volume was increasingly moving over to the Canadian trademark.

On the consumer side, introduction of the 5-litre keg was popular, especially in Michigan where a Detroit Red Wings-themed keg was an instant hit. As well, the introduction of 18 and 28 packs contributed to expand market presence and increase sales volume.

The Corporation aligned itself more closely with the Coors distribution network in key Molson markets. This strategy delivered improved results and better leverage of the Coors local market infrastructure. In March 2002, 56% of Molson USA distributors were Coors distributors, but by March 2003, that number had grown to 74%, delivering higher volume distribution for the US market.

Volume by Geographic Sector (%)



In fiscal 2003, Molson surpassed the corporate target of 4% to 5% annual volume growth. Total beer volume grew by 61%, with Brazil surpassing Canada, which was formerly Molson's largest market. Brazil represented 51.7% of Molson's total beer volume.



AND PRESERVATIVES  
SAFE AGENTS OF  
CONSERVATION

MOLSON

CANADIAN  
LIGHT

PREMIUM LIGHT BEER

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341 ml  
40% alc/vol

# Organizational Renewal

Molson values its human capital and the attraction, retention and development of key talent were major components of the organization renewal efforts in fiscal 2003.

## Leadership Development and Succession Planning

Molson placed greater emphasis this year on succession planning and employee leadership development, allowing all individuals in director positions and above to submit and implement personal development plans. The ultimate goal is for Molson to have strong leaders in the present and future, in all areas and at all levels of the organization.

The Corporation also identified a select group of top performers as candidates for accelerated development activities, including mentoring by members of the executive management team. Programs focussing on coaching, skills advancement, expertise development and leadership abilities were targeted at these candidates and held during the fiscal year.

## Optimal Work Environment

Molson implemented an Optimal Work Environment philosophy that is designed to enhance the overall workplace. The program, which was initiated in the brewery operations, allows people to play a determining role in enhancing manufacturing, for example, through the creation of autonomous problem-solving teams that can design and implement changes locally and provide specific measurement criteria.

The Optimal Work Environment philosophy was applied at the Montreal brewery, where a semi-autonomous team was implemented on the keg line. The team was trained to take responsibility of day-to-day operations and continuous improvement. As a result, the Montreal brewery experienced a significant increase in keg line efficiency and productivity, as well as a reduction in overtime, maintenance and keg repair costs. Beyond these work process improvements, the team was proud and motivated by its ability to contribute. The program is being expanded across all breweries and will be tested in specific management areas.

## Attracting and Retaining Talent

The Corporation continued to attract and develop leadership talent in fiscal 2003.

Molson identified innovation and new business development as areas and functions that are key to the Corporation's objective to remain a top performing brewer. Peter Amirault who has 14 years of experience in the beer industry and was most recently Managing Director of a competing Canadian brewery, was hired as Senior Vice President, Business Development and Innovation. The Ontario/West region hired new leadership in the key sales, marketing and trade marketing roles.

In the finance area, Brian Burden, a senior executive with valuable beverage industry expertise was hired as Executive Vice President and Chief Financial Officer of Molson Inc., after his predecessor Robert Coallier moved to Brazil to become President and Chief Executive Officer of Cervejarias Kaiser.

Improvements in employee communications included a revamped company newsletter and greater emphasis on face-to-face communications from senior leaders. As well, a revised and expanded Intranet was launched as a tool for sharing and updating business information on a daily basis within the organization.





### **Mentoring Program**

Strategic emphasis is placed on employee development and succession planning. Senior leaders within the Corporation spent and will spend more time on developing the next generation of leaders to ensure that Molson is well positioned to continue to deliver.



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# Improve Quality

Molson's focus on quality improvement increased in fiscal 2002, with the completion of a Global Benchmarking Study. It continued in fiscal 2003 with a company-wide initiative called "Renaissance in Brewing". The overall changes have helped Molson operate in a much more integrated and consistent fashion across the brewing network.



## Canada

During fiscal 2002, Molson embarked on a quality management program which targeted three key areas of the supply chain; the quality of incoming ingredients, "right the first time" manufacturing, and overall consumer and customer satisfaction. In fiscal 2003, progress continued in each of these areas.

The first improvement involved increased focus on upgrading the quality of raw materials used in making beer. Molson implemented a supplier quality program with the top suppliers of key ingredients and packaging materials. The program delivered improvements to the quality and consistency of these materials. During fiscal 2004, more suppliers will be included in the program.

Quality ingredients are only the first step in creating a Molson product. The Corporation's focus on "right the first time" manufacturing is critical to producing high quality products while managing costs. In fiscal 2003, operations teams made significant strides in achieving "right the first time" manufacturing. Molson beer quality has never been higher and production efficiency never been better.

Consumer and customer satisfaction is the third key area. Fiscal 2003 featured the initiation of Field Quality Audits. These audits involved quality professionals venturing into the field to monitor product quality at distribution centres and retail outlets. This data will drive an initiative targeted at improving freshness at the shelf. In addition, Molson tracked how consumers felt about its products through comments derived from a toll-free response hotline. During fiscal 2003, Molson was successful in continuing to improve its performance. At year-end, it had received less than six complaints for every million bottles of beer sold.

Fiscal 2003 also marked the beginning of the implementation phase leading to achievement of global brewing standards. Activities to achieve best-in-class status showed significant progress in a variety of manufacturing areas, such as utilities consumption, waste reduction, productivity and maintenance practices.

Critical to Molson's future success in manufacturing is the modernization of the breweries. When completed, Molson will have undergone a complete Renaissance in Brewing. New equipment will have been installed, new work processes established and a new manufacturing data system implemented. All these enhancements are directed toward revitalizing Molson brewing operations, building capabilities for the future and creating a strong foundation for continued growth.

As evidence of this Renaissance, a new can line was installed in Vancouver. Installation of equipment and employee training began in February 2002. The line was completed by summer and, since then, line efficiencies and productivity have improved, moving steadily closer to the global benchmark for best-in-class.

A state-of-the-art bottling line was installed in Toronto and began operation in January 2003. When operational at targeted levels, productivity will double through better design and greater automation. The facility in which the new line was installed is more worker-friendly, incorporating natural light and sound abatement materials, which contribute to a more pleasant and productive working environment. In the fall of 2002, new packaging technology was installed in Edmonton, dramatically reducing bottle breakage during the packaging process.



## **Brazil**

Molson's Brazilian operations changed dramatically during fiscal 2003. The main feature of this change was the integration of two manufacturing systems into one, as a result of the merger of the Bavaria and Kaiser organizations. Capacity was optimized, distribution harmonized with Coca-Cola's system and synergies in global procurement began to be realized. Additionally, Molson's technical teams in Brazil and Canada worked together to introduce A Marca Bavaria, a new Brazilian import into the Canadian market. The launch of A Marca Bavaria provided these teams with a first chance to transfer technical best practices and knowledge.

Another example of the transfer of technical best practices was the installation of a new automatic foam inspection system. This system is already used in Canada and represents the reciprocal learning philosophy of Molson's geographically diverse operations. Another innovation currently under development is a proprietary line monitoring system that tracks downtime on production lines and provides data for continuous improvement in line efficiency. A system of this type is already in place in Montreal where it has been instrumental in driving Montreal's efficiencies to best-in-class levels.

Brazil is also using the results of the Global Benchmarking Study to identify its own opportunities for efficiency and quality improvement.



## **United States**

In the United States, by working closely with Coors, several regional enhancements were made to the US supply chain and distribution system. In the western region, improved inventory replenishment, quicker processing of orders, as well as tighter delivery schedules, led to the reduction of delivery times from five weeks to one week, thus ensuring the delivery of the freshest beer possible to the market. Distributor orders sourced from the western distribution network met the best-in-class leadtime of one week.

Also, data gathered toward the end of fiscal 2003 revealed that Molson USA made significant strides in addressing service issues with the wholesaler network, as overall service scores rose to parity with other leading import brands.

## The Brewing Process

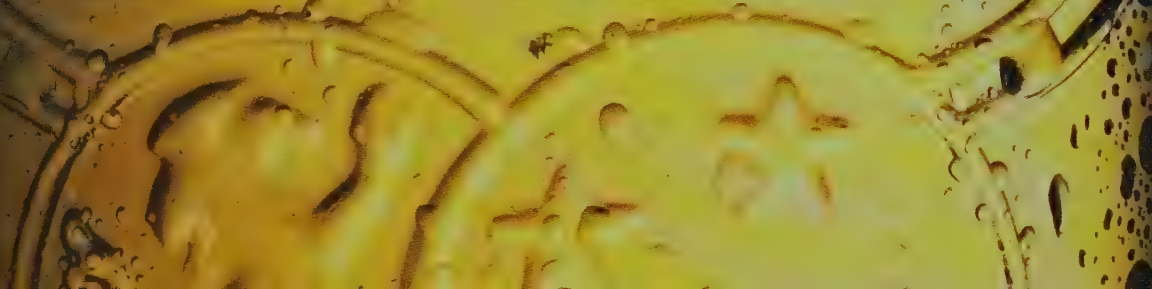


Brewing methods are rooted in a tradition of quality where the finest natural ingredients and the best brewing methods are combined by experienced brewmasters to brew consumer satisfying beers. All production processes are regularly re-evaluated to enhance effectiveness in turning quality ingredients into quality beer.

PRODUTO DO  
BRASIL

A MARCA

BAVARIA



# Going Forward

Molson established clear goals and objectives for the future growth of the Corporation, in terms of profitability, market share, volume, organizational renewal and quality improvement. Significant progress has been made on several fronts, especially in fiscal 2003. There is still much work to do and many more opportunities to seize for Molson to realize the vision.



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## **Canada**

Molson remains committed to the stated goal of aligning the cost structure with those of best-in-class global brewers, as researched in the Global Brewing Benchmarking Study completed in 2002. Project 150 has been successfully completed. The next challenge is to generate an additional \$125 million in savings through Project 125 in fiscal years 2004 through to 2006. The Corporation is focused on continually driving costs out of the system and to improving the productivity of all facilities.

On the retail and distribution side, Molson is participating in the upgrade of The Beer Stores in Ontario, actively looking for ways to derive greater sales volume from the Liquor Control Board of Ontario (LCBO) store network and exploring the optimal distribution model to use in each Canadian province.

SAP enterprise resource planning (ERP) software and an upgraded computer network will be gradually rolled out across Molson operations. It is expected to vastly improve operations by providing financial insight and better data to enhance business decisions and logistics planning, as well as minimize potential operational disruptions.

Many of the planned improvements emerging from the Global Benchmarking Study will be completed in the next three years, including a series of line modernization projects that will bring world-class technology to Molson's operations. To that end, the Corporation is investing in various types of equipment, including better power distribution technology to reduce wear on equipment and extend the life of the systems now being installed. Another example is gaining

self-sufficiency in carbon dioxide (CO<sub>2</sub>) by capturing the CO<sub>2</sub> expelled during fermentation and using it to carbonate beer. This is already the practice at the Montreal brewery and will eventually be standard across all of Molson's breweries. Not only does CO<sub>2</sub> self-sufficiency reduce costs, it also conforms to proposed environmental legislation designed to curb CO<sub>2</sub> emissions.

Molson is intent on breaking the market share stalemate in Canada. First, efforts started with the launch of a new owned brand in the growing, high-profit, super premium segment – A Marca Bavaria, brewed in Brazil by Molson and imported in distinctive clear bottles. A successful breakthrough would translate into A Marca Bavaria ranking among the top five import beers in Canada. Second, the Corporation is revitalizing the brand portfolio to respond to evolving consumer demand, especially in the light beer segment. The launch of Ex Light in Quebec and the expanded test marketing of Canadian Light are examples of this. Ex Light is a contemporary, easy-drinking light beer with taste. The beer, uniquely developed by Molson, builds on the rich tradition of the Molson Export brand. Canadian Light features a bold new design and a marketing campaign that sells the positive benefits of a lighter beer. Test marketing of Canadian Light will continue in fiscal 2004, with the rollout beyond Ontario and Alberta.



## **Brazil**

Molson is the second largest brewer in Brazil as a result of the Cervejarias Kaiser acquisition in fiscal 2002. However, there are significant gaps in profitability, pricing and distribution between Molson and the market leader. The Corporation is focused on creating an organization that is capable of reducing these gaps.

Molson identified eight levers that hold the key to achieving profitable growth. They include: broadening distribution, enhancing point of sale execution, strategically improving pricing, improving can profitability, turning around the self-service market, focusing on premium brands, maximizing the potential of the super premium segment, and delivering the desired results.

Molson's Brazilian operations will also continue to focus on becoming leaner, particularly through Projeto Duzentos. All initiatives will be targeted to bringing the Corporation's cost structure and market profile in line.



## **United States**

Investment will continue in the US market to pursue the revitalization of the Molson brands behind the Molson Canadian trademark. Molson USA's overall goal for fiscal 2004 is to grow overall volume by 3% with strong double digit growth on the Canadian trademark. This is the first step to achieving more aggressive growth targets in the years ahead.

In fiscal 2004, Molson USA will focus on significantly improving brand presence in the on-premise channel. This is crucial to raising the profile of the Molson brand among young adult consumers. In addition, Molson USA will increase the scope of operations by moving beyond the Northeast and Midwest and expanding into the Florida and California markets. With new representatives now operating in these states, Molson USA is targeting a significant increase in local sales.

Finally, continued realignment of Molson USA's distribution network with Coors will enable the Corporation to compete more effectively from both an efficiency perspective and an overall leverage perspective.



# MOLSON AND THE COMMUNITY

For Molson, fiscal 2003 marked another year of commitment to Canadian communities. The Corporation channels support through three specific programs: Molson Donations Fund (MDF), which contributes solely to the charitable sector; Local Heroes, which provides funding to refurbish existing sports and recreation facilities; and Don't Drink and Drive, Molson's responsible use program.

**Imagine**   
**A Caring Company**

## MOLSON The Molson Donations Fund

In fiscal 2003, Molson contributed approximately \$1.6 million to numerous educational, social and healthcare organizations in Canada and, in the process, more narrowly focused the community giving program. Key targeted areas are post-secondary campus programs that encourage leadership and volunteerism, retraining programs for disenfranchised young adults, hospitals that operate trauma units in large urban centres where Molson is present; and the United Way across Canada.

In 2003, Molson's commitment to post-secondary campus programs that foster leadership and volunteerism was reflected in a ninth consecutive one-year partnership with Frontier College for its Students for Literacy Program. An \$80,000 donation was made to expand the program across Canada. Over the nine-year period, more than 15,000 university and college students were trained as tutors to provide innovative literacy programs to citizens in need, such as homeless people, adults with disabilities and isolated farm workers.

The MDF also made a \$5,000 contribution to the Collège Édouard-Montpetit Development Fund as part of the organization's new campaign, "Le Savoir partagé, les technologies en tête" ("Sharing Knowledge - Keeping Technology in Mind"). Collège Édouard-Montpetit is one of Quebec's largest and most reputable junior colleges (CEGEP).

Several community-based groups that assist young people with training, shelter and basic necessities to get back on their feet benefited from MDF support.

Among them: Eva's Phoenix, Serve Canada, All-A-Board Youth ventures, Aunt Leah's, Brown Bagging for Calgary Street Kids and Covenant House, as well as EPOC Montréal and the Fondation Ressource-Jeunesse.

A \$50,000 pledge went to St. Michael's Hospital for the Neuro/Trauma Intensive Care Unit. St. Michael's, which has the largest caseload of neurosurgical patients in Canada, is the official hospital for the Toronto Molson Indy. It is recognized as a leading academic health care provider with the finest international experts and state-of-the-art technology.



## National Women's Hockey Team Support

A long-time supporter of the Canadian Hockey Association, Molson continued its commitment to the development of hockey in Canada. The Corporation contributed \$125,000 to the National Women's Hockey Team players who have been World Champions for seven consecutive years.



### AIDS

For the past 14 years, Molson has been a leader in supporting initiatives at both national and regional levels. It is the National Founding Sponsor of AIDS Walk Canada, which is the major fundraiser for AIDS research and care. At the regional level, Molson provides support to the AIDS Committee of Toronto, BC Persons with AIDS, and the Farha Foundation in Montreal for their annual AIDS Walks and other fundraising initiatives.

### The John Molson School of Business

Concordia University's John Molson School of Business received an additional \$500,000 installment, as part of the MDF's 10-year, \$5 million commitment to the institution's building fund. Molson's support of the business faculty is a tribute to the Corporation's founder, John Molson, his descendants and the business leaders who have built their careers at Molson and who have played a vital role in the economic and socio-cultural development of Montreal and Canada.

## MOLSON AND THE COMMUNITY



### Responsible Use

Molson continues to support the Don't Drink and Drive program, as part of a commitment to encourage responsible use of beer products. This program is complemented by a partnership with 1-888-TAXIGUY, a national toll-free service that provides access through a single phone call to local taxi service in more than 700 Canadian cities.

An initial campaign launched at the University of Calgary to encourage responsible use on university campuses was well received and will be rolled out to major post-secondary institutions across Canada in the coming year. The campaign reaches young adults through a web-based contest, print ads and campus promotions, helping to reinforce messages about responsible enjoyment and planning ahead.

Regional responsible use activities included a high visibility campaign in Quebec during December, through which the public was reminded of the consequences of drinking and driving through outdoor ads. Molson was also a transportation sponsor at events such as Oktoberfest in Kitchener, Ontario, ensuring patrons arrived home safely.

## MOLSON Local Heroes®

Designed to foster community involvement and encourage healthy lifestyles, the Molson Local Heroes program contributed nearly \$700,000 in fiscal 2003 to various small community projects aimed at improving and upgrading local sports and recreation facilities.

Since 1998, Molson has invested more than \$3.5 million in the Local Heroes program and more than 22,000 volunteers from communities across Canada have participated in some 2,300 projects to revitalize 450 facilities such as hockey arenas, baseball diamonds, soccer pitches, outdoor skating rinks and community centres.

### Hay West

Molson contributed approximately \$100,000 to HAY WEST, a unique aid effort in the summer of 2002 that brought relief to Canadian farmers in the drought stricken Prairie region. A caravan of Molson transports and drivers helped ferry some 1,400 bales of hay donated by Ontario farmers to a "hay rail depot". Molson had the hay shipped to Alberta, where additional transports assisted in delivering the hay directly to farmers in the region. In addition, Molson was a lead sponsor of the "Say Hay" Thanksgiving weekend benefit concerts that took place in Edmonton and Calgary.

**PLAN AHEAD**  
**DON'T DRINK AND DRIVE**



1-888-TAXIGUY

**MOLSON**



03

# **Molson Inc. Financial Review**

## Management's Discussion &amp; Analysis

## Molson Fiscal 2003 Highlights

- Net sales revenue up 20% to \$2.5 billion
- Total beer volume up 61%  
with volume in Canada down 1.4%
- Core brand market share in Canada up 1.0%,  
overall market share down 0.7%
- Net earnings increased 76%  
from \$178 million to \$312 million
- Net earnings per share increased 66%  
from \$1.48 per share to \$2.45 per share
- Comparable operating profit (EBIT) up 39%  
to \$516 million <sup>(i)</sup>
- Comparable net earnings up 45% to \$282 million <sup>(ii) (iii)</sup>
- Comparable net earnings per share up 36%  
to \$2.21 per share <sup>(ii) (iii)</sup>
- Cash flow from operations before working capital  
and rationalization costs increased 27% to \$370 million

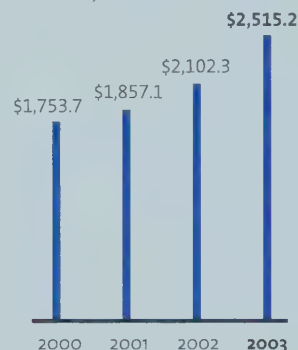
## Management's Discussion & Analysis

The following comments are intended to provide a review and analysis of the Corporation's results of operations and financial position for the year ended March 31, 2003 in comparison with the year ended March 31, 2002, and should be read in conjunction with the consolidated financial statements and accompanying notes. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

### Overview

In fiscal 2003, the Corporation continued to deliver a strong overall financial performance which included the positive impact of investments made over the past two years: the acquisition of Kaiser on March 18, 2002 reduced the seasonality of results throughout the year and equipment upgrades made in the Toronto and western breweries delivered cost and production efficiencies as well as innovation capabilities in Canada. From an operational perspective, the market share performance was mixed: core brand market share in Canada gained 1.0 share points while overall market share fell 0.7 share points due to the softening of the overall premium segment in Canada, as well as greater pressure from competitive value brands. Market share in Brazil, including the Kaiser brands, was 14.6%, down 2.4 share points when compared to the year ended March 31, 2002, according to ACNielsen data. The Corporation's focus in fiscal 2004 will be on cost efficiencies and profitable core brand market share growth to deliver long-term shareholder value.

Net sales revenue  
(Dollars in millions)



- (i) Comparable operating profit excludes the fiscal 2003 gain on sale of 20% of Molson's operations in Brazil and the rationalization provisions in both fiscal 2003 and 2002 relating primarily to plant closures.
- (ii) Comparable net earnings exclude the fiscal 2003 gain on sale of 20% of Molson's operations in Brazil, the after-tax rationalization provision of \$41.9 million recorded in fiscal 2003 relating primarily to Brazil plant closures and the minority interest thereon, the after-tax \$33.5 million provision for the Regina plant closure recorded in the first quarter of fiscal 2002 and a non-cash \$15.0 million reduction in income tax expense recorded in the prior year to reflect changes in enacted future income tax rates.
- (iii) Comparable net earnings is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). However, in addition to net earnings, comparable net earnings is a useful supplemental measure as it provides investors with a measure of the Corporation's earnings excluding the impact of non-recurring and unusual items. Comparable net earnings excludes the impact of items such as gains and losses on sales of businesses and rationalization provisions, which are not considered by management to be indicative of sustainable earnings. Investors are cautioned, however, that comparable net earnings should not be construed as an alternative to net earnings determined in accordance with GAAP to be used as an indicator of the Corporation's performance. Also, the Corporation's method of calculating comparable net earnings may not be comparable to measures used by others.

# Management's Discussion & Analysis

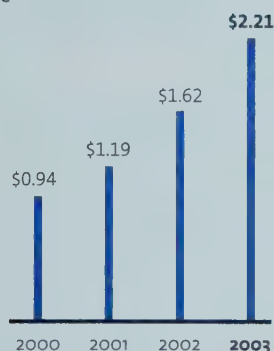
## Financial Highlights

(Dollars in millions, except per share amounts)

	2003	2002
<b>Sales and other revenues <sup>(i)</sup></b>	<b>\$ 3,529.2</b>	<b>\$ 2,830.8</b>
Brewing excise and sales taxes	1,014.0	728.5
<b>Net sales revenue</b>	<b>\$ 2,515.2</b>	<b>\$ 2,102.3</b>
<b>Earnings before interest, income taxes and amortization (EBITDA)</b>		
<b>and the under-noted</b>	<b>\$ 580.5</b>	<b>\$ 426.4</b>
Gain on sale of 20% of operations in Brazil	(64.2)	—
Provisions for rationalization	63.5	50.0
<b>EBITDA <sup>(i)</sup></b>	<b>581.2</b>	<b>376.4</b>
Amortization of capital assets	64.9	54.6
<b>Earnings before interest and income taxes (EBIT)</b>	<b>516.3</b>	<b>321.8</b>
Net interest expense	95.4	65.5
Income tax expense	115.0	80.7
Earnings before minority interest	305.9	175.6
Minority interest	6.5	—
<b>Earnings from continuing operations</b>	<b>312.4</b>	<b>175.6</b>
Earnings from discontinued operations	—	2.0
<b>Net earnings</b>	<b>\$ 312.4</b>	<b>\$ 177.6</b>
Basic net earnings per share		
Continuing operations	\$ 2.45	\$ 1.46
Discontinued operations	—	0.02
<b>Total</b>	<b>\$ 2.45</b>	<b>\$ 1.48</b>
Diluted net earnings per share		
Continuing operations	\$ 2.41	\$ 1.43
Discontinued operations	—	0.02
<b>Total</b>	<b>\$ 2.41</b>	<b>\$ 1.45</b>
Cash provided from operations before working capital and rationalization costs	\$ 370.1	\$ 292.3
Dividends per share	\$ 0.42	\$ 0.38
Weighted average outstanding shares (millions)		
Basic	127.3	120.1
Diluted	129.5	122.4

<sup>(i)</sup> Results for the year ended March 31, 2003 include 100% of the results of the Corporation's Brazilian operations and the minority interest account reflects 20% of the net earnings of the Brazilian operations from April 18, 2002 thereafter. Results for the year ended March 31, 2002 included 100% of the results of Bavaria S.A. in Brazil and 100% of the operations of Kaiser for the period from March 19, 2002 to March 31, 2002.

## Management's Discussion &amp; Analysis

Comparable net earnings  
per share

For the year ended March 31, 2003, net sales revenue increased 20% to \$2.5 billion compared to \$2.1 billion for the same period last year. The increase is comprised primarily of a 5% revenue increase in Molson's operations in Canada and the consolidation of Kaiser in fiscal 2003. Brewing volume increased by 61% to 23.08 million hectolitres due mainly to the additional volume from Kaiser offset, in part, by lower volumes in Canada.

Net earnings for the year ended March 31, 2003 were \$312.4 million compared to \$177.6 million for the prior year. The current year's earnings included a gain of \$64.2 million on the sale of 20% of Molson's operations in Brazil and a pre-tax charge for the previously announced plant closures and other costs relating to Bavaria in Brazil in the amount of \$63.5 million. The prior year included rationalization costs relating to the Regina plant closure of \$50.0 million, a non-cash \$15.0 million reduction of future tax liabilities resulting from the enactment of future tax rate reductions as well as the gain on sale of the Corporation's Sports and Entertainment business in the amount of \$2.0 million.

Comparable net earnings from continuing operations for the period, excluding the gain on sale of \$64.2 million, the charge for rationalization costs in both years and the \$15.0 million tax adjustment recorded in fiscal 2002, were \$281.7 million or a 45% increase from \$194.1 million for last year. Comparable net earnings per share increased 36% to \$2.21 per share.

The table below shows Molson's comparable net earnings from continuing operations and earnings per share from continuing operations for the years ended March 31, 2003 and 2002.

	Net earnings for the years ended March 31		Net earnings per share for the years ended March 31	
	2003	2002	2003	2002
<i>(Dollars in millions, except per share amounts)</i>				
<b>Net earnings</b>	<b>\$ 312.4</b>	\$177.6	<b>\$ 2.45</b>	\$ 1.48
After-tax adjustments to arrive at comparable net earnings from continuing operations:				
Gain on sale of 20% of operations in Brazil	(64.2)	—	(0.50)	—
Provisions for rationalization	41.9	33.5	0.33	0.28
Minority interest impact on Brazil rationalization provision	(8.4)	—	(0.07)	—
Tax adjustment related to changes in enacted future tax rates	—	(15.0)	—	(0.12)
Earnings from discontinued operations	—	(2.0)	—	(0.02)
<b>Comparable net earnings from continuing operations</b>	<b>\$ 281.7</b>	\$194.1	<b>\$ 2.21</b>	\$ 1.62

The increased comparable net earnings reflect the combined impact of improved efficiencies in manufacturing operations, the acquisition of Kaiser and inclusion of its operating profit for the entire fiscal year as well as consumer price increases in Canada.

## Management's Discussion & Analysis

Amortization of capital assets for fiscal 2003 increased to \$64.9 million, compared to \$54.6 million last year resulting from the inclusion of Kaiser's operations in fiscal 2003, partially offset by lower depreciation expense in Canada resulting from recent brewery closures.

Net interest expense for the year was \$95.4 million which was \$29.9 million higher than the prior fiscal year reflecting the overall increase in average net debt, including other interest bearing liabilities, resulting from the Kaiser acquisition in Brazil.

The effective tax rate for the year ended March 31, 2003 on comparable net earnings, excluding the tax recovery of \$21.6 million relating to the provision for rationalization, was 32.5%. The provision for income taxes for the year ended March 31, 2002 included a \$15.0 million reduction of future income tax liabilities resulting from enactment of future tax rate reductions announced in various provincial budgets and a recovery of \$16.5 million relating to the provision for rationalization. Excluding these items, the comparable tax rate was 36.6% in fiscal 2002. The decreased tax rate in fiscal 2003 is largely attributable to reduced statutory tax rates in Canada and the mix of earnings primarily between Canada and Brazil.

Cash flow from operations before changes in working capital and rationalization costs for the year ended March 31, 2003 increased by 27% to \$370.1 million, compared to \$292.3 million for the same period last year reflecting higher net earnings from continuing operations.

### Review of Operations

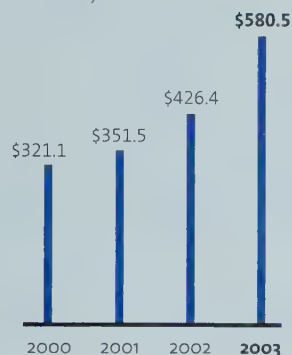
Molson's business operations consist of the ownership of 100% of Molson Canada; 80% of Cervejarias Kaiser Brazil, S.A. ("Kaiser"); 49.9% of Coors Canada (results proportionately consolidated) and a 50.1% interest in Molson USA, which markets and distributes the Molson brands in the United States (results also proportionately consolidated).

The following table contains a summary of the Corporation's financial results for fiscal 2003 with a comparison to fiscal 2002:

<i>(Dollars in millions)</i>	<b>2003</b>	<b>2002</b>
<b>Sales and other revenues</b>	<b>\$ 3,529.2</b>	\$ 2,830.8
Brewing excise and sales taxes	<b>1,014.0</b>	728.5
<b>Net sales revenue</b>	<b>\$ 2,515.2</b>	\$ 2,102.3
<b>EBITDA before the under-noted</b>	<b>\$ 580.5</b>	\$ 426.4
Amortization of capital assets	<b>64.9</b>	54.6
<b>Operating profit (EBIT) before the under-noted</b>	<b>515.6</b>	371.8
Gain on sale of 20% of operations in Brazil	<b>(64.2)</b>	—
Provisions for rationalization	<b>63.5</b>	50.0
<b>EBIT</b>	<b>\$ 516.3</b>	\$ 321.8
Percentage change – EBIT before gain on sale and provisions for rationalization	<b>39%</b>	

# Management's Discussion & Analysis

**Comparable EBITDA**  
(Dollars in millions)



**Comparable EBIT**  
(Dollars in millions)

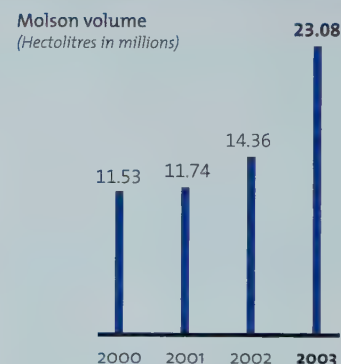


The following table details certain financial information by business unit:

	Sales and Other Revenues		Net Sales Revenue		EBITDA		EBIT	
(Dollars in millions)	2003	2002	2003	2002	2003	2002	2003	2002
Canada	<b>2,628.3</b>	2,520.1	<b>2,001.4</b>	1,903.4	<b>530.1</b>	427.6	<b>485.4</b>	380.4
Brazil <sup>(i)</sup>	<b>816.0</b>	224.0	<b>442.1</b>	127.7	<b>56.5</b>	4.5	<b>36.5</b>	(2.9)
United States	<b>84.9</b>	86.7	<b>71.7</b>	71.2	<b>(6.1)</b>	(5.7)	<b>(6.3)</b>	(5.7)
Totals before non-recurring items	<b>3,529.2</b>	2,830.8	<b>2,515.2</b>	2,102.3	<b>580.5</b>	426.4	<b>515.6</b>	371.8
Gain on sale of 20% of operations in Brazil	—	—	—	—	<b>64.2</b>	—	<b>64.2</b>	—
Provisions for rationalization	—	—	—	—	<b>(63.5)</b>	(50.0)	<b>(63.5)</b>	(50.0)
Consolidated	<b>3,529.2</b>	2,830.8	<b>2,515.2</b>	2,102.3	<b>581.2</b>	376.4	<b>516.3</b>	321.8

<sup>(i)</sup> Results for the year ended March 31, 2003 include 100% of the results of the Corporation's Brazilian operations and the minority interest account reflects 20% of the net earnings of the Brazilian operations from April 18, 2002 thereafter. Results for the year ended March 31, 2002 included 100% of the results of Bavaria S.A. in Brazil and 100% of the operations of Kaiser for the period from March 19, 2002 to March 31, 2002.

## Management's Discussion & Analysis



### Industry Volume and Molson Market Share

The following table sets out industry volume and Molson volume in Canada, Molson volume shipped to the United States as well as Molson's volume in Brazil during fiscal 2003 and 2002:

Volume (Hectolitres in millions)	2003 Estimated	2002 Actual
Industry volume in Canada <sup>(i)</sup>	21.11	21.07
Molson (Canada)	9.37	9.50
Molson production for shipment to the United States	1.77	1.90
Brazil	11.94	2.96
<b>Total Molson volume</b>	<b>23.08</b>	<b>14.36</b>

<sup>(i)</sup> Sources: Brewers Association of Canada, provincial liquor authorities and industry distribution companies.

Total estimated industry sales volume in Canada increased marginally by 0.2% to 21.11 million hectolitres during the year ended March 31, 2003, compared to fiscal 2002. Molson's volume in Canada decreased 1.4% to 9.37 million hectolitres during the same period with decreases primarily in Ontario and the western provinces. Molson's production for sale in the United States included primarily Molson brands, which were unchanged from last year, and the Foster's brand.

### Canada

Net sales and other revenues increased by 5% to \$2.0 billion in the year reflecting increased selling prices and favourable mix when compared to last year offset in part by lower volumes. Comparable operating profit increased 28% to \$485.4 million for the year ended March 31, 2003 reflecting improved margins.

### Market Share (%)

	2003 Estimated	2002 Actual
Including sales of imports:		
Canada	44.4	45.1
Quebec/Atlantic	42.8	42.8
Ontario/West	45.2	46.3

Sources: Brewers Association of Canada, provincial liquor authorities and industry distribution companies.

Molson has the highest market share in Newfoundland, Quebec, Ontario, Saskatchewan and Alberta. Market conditions remain highly competitive and Molson will continue to concentrate on market share growth of core strategic brands nationally and on key regional markets which have strong growth opportunities. Molson anticipates that the beer industry in Canada will grow moderately over the next few years due to demographic factors.

Molson's average estimated market share for all beer sold in Canada during the fiscal year ended March 31, 2003 declined to 44.4% from 45.1% compared to the same period last year, however, core brands continue to perform well with a share increase of 1.0 share points on a national basis.

## Management's Discussion & Analysis

The Quebec/Atlantic region's market share remained at the prior year's level of 42.8%, however, core brand share increased 3.0 share points, despite intense levels of competitive tactical marketing and trade programs in the Quebec super premium and discount beer segments.

The Ontario/West region's market share declined from 46.3% to 45.2%, however, core brand market share was only marginally below the prior year's level. The overall decrease reflects strong competitor discount pricing activity, primarily in Ontario and Alberta, and Molson's reduced in-case promotions. The decline is also attributable to the softening of the premium segment and the related impact on the Molson Canadian brand as well as increased pressure from competitive value brands.

### Coors Canada

The Coors Canada partnership is responsible for the management of Coors brands in Canada. Molson brews, distributes and sells the Coors Light brand in Canada.

Coors Canada continued its strong performance in fiscal 2003. EBITDA experienced double-digit growth despite an aggressive competitive environment during the year. The Coors Light brand remains the market leader in the light beer segment and continues to be the fourth-largest brand in Canada. In fiscal 2003, Coors Light's estimated average national market share was 7.9%.

### Brazil

On March 18, 2002, Molson acquired 100% of the outstanding shares of Kaiser, whose assets include the Kaiser brands and eight brewing facilities in Brazil, for \$1,136.3 million which included transaction costs and is net of cash acquired. In a separate transaction that closed on April 17, 2002, Molson sold 20% of its Brazilian operations to Heineken N.V. for proceeds of \$333.9 million. This resulted in a gain of \$64.2 million which was recorded in the three-month period ended June 30, 2002. The Corporation received unconditional approval for both transactions from the Brazilian competition authorities during fiscal 2003.

The following table summarizes the operating results of Molson's Brazilian business in Brazilian reais and the equivalent Canadian dollar amounts:

	Years ended March 31			
	BRL		CAD	
(Currency in millions)	2003	2002	2003	2002
Sales and other revenues	<b>1,675.4</b>	346.0	<b>816.0</b>	224.0
Net sales revenue	<b>910.7</b>	197.0	<b>442.1</b>	127.7
EBITDA <sup>(i)</sup>	<b>123.3</b>	6.2	<b>56.5</b>	4.5
EBIT <sup>(ii)</sup>	<b>83.2</b>	(5.1)	<b>36.5</b>	(2.9)

<sup>(i)</sup> Results for the year ended March 31, 2003 exclude the gain on sale of 20% of Molson's operations in Brazil of \$64.2 million and the rationalization provision of \$63.5 million.

<sup>(ii)</sup> Results for the year ended March 31, 2003 include 100% of the results of the Corporation's Brazilian operations and the minority interest account reflects 20% of the net earnings of the Brazilian operations from April 18, 2002 thereafter. Results for the year ended March 31, 2002 included 100% of the results of Bavaria S.A. in Brazil and 100% of the operations of Kaiser for the period from March 19, 2002 to March 31, 2002.

## Management's Discussion & Analysis

Total sales volume for the year was 11.94 million hectolitres compared to 2.96 million hectolitres last year reflecting the increased volume attributable to the Kaiser acquisition. Total estimated Molson market share in Brazil was 14.6% in fiscal 2003 compared to 17.0% in fiscal 2002 including Kaiser market share, according to ACNielsen data.

In fiscal 2003, Kaiser continued with its pricing strategy to improve the positioning of its brands against its major competitor and increased prices of products in both returnable and non-returnable containers in the second and third quarters. Price increases of 5% and 4% were realized in July and December respectively for returnable products and increases of 10% and 12% were realized for non-returnable containers in July and December respectively.

Certain raw materials are purchased in the international markets and are paid for or impacted by the fluctuation in the US dollar. For example, although aluminum cans are purchased in Brazil, the price paid is directly influenced by the fluctuation of the US dollar against the Brazilian real. As a result, Molson announced in September 2002 a series of initiatives to reduce the exposure of its local operating results to adverse currency fluctuations in Brazil. Among these initiatives is a currency hedging program which resulted in the fixing of a portion of US dollar costs during fiscal 2003.

Molson also implemented several other initiatives to offset the recent currency fluctuation in Brazil including beer price increases discussed above, accelerated operating cost reductions and tight capital expenditure controls as well as efforts to realign product mix to optimize profitability under existing currency conditions.

In the first quarter of fiscal 2003, Molson announced certain initiatives to achieve its commitment to deliver synergies and cost reductions over the next three years in Brazil. These initiatives included the closure of two Bavaria plants and one Kaiser plant due to strategic geographic considerations. Both the Bavaria and Kaiser brands are now being produced throughout the production network. As a result of these initiatives, Molson recorded a rationalization provision relating to the Bavaria costs of \$63.5 million which included primarily fixed asset write-downs, employee severance costs and an accrual for the termination of the distribution arrangement with Companhia de Bebidas das Américas.

### United States

Molson USA, which is owned 50.1% by Molson and 49.9% by the Coors Brewing Company ("Coors"), is a dedicated business unit in the United States focused on clear operating objectives and a well-defined brand portfolio – Molson Canadian, Molson Canadian Light, Molson Golden and Molson Ice. Molson USA is responsible for the marketing and selling of these brands with Coors providing the sales, distribution and administrative support.

Molson USA introduced new advertising campaigns and packaging initiatives to reposition its brand with American consumers. Specifically, the focus in fiscal 2003 was in building the Molson Canadian trademark and the results were positive. The Molson Canadian trademark continued to show market share gains with volume growth of 39.4% in fiscal 2003 when compared to last year. Furthermore, the Molson Canadian trademark's volume now represents a more significant percentage of the total Molson USA portfolio – growing to 36% in fiscal 2003 from 26% in fiscal 2002.

Overall, Molson's total volume in the United States for the year ended March 31, 2003 was up 0.1% compared to last year and represented a significant trend improvement versus the decline of 12.5% for the previous year.

## Management's Discussion & Analysis

The following table summarizes the operating results of Molson's business in the United States in US dollars and the equivalent Canadian dollar amounts:

	Years ended March 31					
	USD		CAD		Molson 50.1% Share CAD	
(Dollars in millions)	2003	2002	2003	2002	2003	2002
Sales and other revenues	109.4	109.4	169.4	173.0	84.9	86.7
Net sales revenue	92.4	90.9	143.1	142.2	71.7	71.2
EBITDA	(7.9)	(7.2)	(12.3)	(11.5)	(6.1)	(5.7)
EBIT	(8.1)	(7.2)	(12.6)	(11.5)	(6.3)	(5.7)

### Other

#### Provisions for Rationalization

As part of the acquisition of Kaiser, the Corporation undertook a review of its brewing capacity in Brazil. As a result, Molson recorded a provision for plant closures and other costs in the amount of \$63.5 million in the first quarter of fiscal 2003 relating to two plant closures of the Bavaria business as well as the termination costs relating to the former Bavaria distribution network.

Results for fiscal 2002 included a provision for rationalization relating primarily to the closure of Molson's Regina brewery. A pre-tax provision of \$50.0 million was recorded which included primarily the write-down of fixed assets and employee costs.

#### Gain on Sale of Brazilian Operations

As part of the Kaiser acquisition, the Corporation sold 20% of its Brazilian operations to Heineken N.V. for \$333.9 million. The transaction closed April 17, 2002 and a gain of \$64.2 million was recorded.

#### Discontinued Operations

On July 25, 2001, the Corporation completed the transaction for the sale of the Sports and Entertainment business consisting of the Montreal Canadiens of the National Hockey League ("NHL") and the Molson Centre and recorded a gain on disposal of \$2.0 million. The Corporation received \$190.0 million in cash, less closing adjustments, with the balance of payment in the form of preferred shares as well as a 19.9% interest in an entity owning both the team and the entertainment business. The preferred shares are redeemable on December 31, 2008 for \$86.5 million, subject to certain terms and conditions.

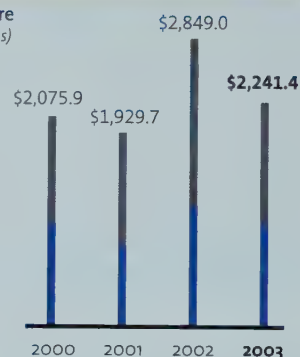
The Corporation has given certain undertakings to the lenders of the purchaser such that, in the event the purchaser is unable to meet its obligations, Molson would exercise control over the entity that owns the entertainment business and the Montreal Canadiens, at predetermined conditions and subject to NHL approval. The obligations of the purchaser to such lenders at March 31, 2003 were \$92.0 million.

As part of the sale of Beaver Lumber in fiscal 2000, Molson received a promissory note in the amount of \$35 million. In December 2001, the note, and interest of \$4.3 million, were repaid.

## Management's Discussion & Analysis

Capital structure  
(Dollars in millions)

■ Net debt  
■ Equity



### Financial Condition and Liquidity

Molson's consolidated balance sheet as at March 31, 2003, together with comparative fiscal 2002 figures, is summarized as follows:

(Dollars in millions)	2003	2002
Current assets	\$ 437.2	\$ 505.7
Less current liabilities	(814.0)	(880.5)
Working capital	(376.8)	(374.8)
Investments and other assets	127.6	140.4
Property, plant and equipment	1,026.9	1,188.5
Intangible assets	2,322.9	2,671.7
	<b>\$ 3,100.6</b>	<b>\$ 3,625.8</b>
Represented by:		
Long-term debt	\$ 1,180.0	\$ 1,687.2
Deferred liabilities	380.5	426.5
Future income taxes	355.0	338.2
Minority interest	152.1	—
	<b>2,067.6</b>	<b>2,451.9</b>
Shareholders' equity	<b>1,033.0</b>	<b>1,173.9</b>
	<b>\$ 3,100.6</b>	<b>\$ 3,625.8</b>

In fiscal 2004, working capital requirements will continue to be funded through cash generated from operations and available credit facilities.

### Capital Spending

Molson's capital spending of \$85.9 million in fiscal 2003 (fiscal 2002 – \$72.4 million) was concentrated primarily in Canada as well as on the facilities in Brazil. Capital spending in Canada in the amount of \$65.5 million was to support the Corporation's strategic requirements, primarily in the Vancouver and Toronto breweries, to upgrade capacity and efficiency. Capital spending in fiscal 2004 is expected to be approximately \$100 million, including approximately \$70 million on brewing facilities in Canada.

Molson expects to fund fiscal 2004 capital expenditures from operating cash flow. All capital projects are subject to an economic value added (EVA) analysis to ensure that spending is prioritized to maximize shareholder value.

## Management's Discussion & Analysis

### Shareholders' Equity

In fiscal 2003, as part of the Corporation's previously announced normal course issuer bid, Molson repurchased 1,281,275 Class "A" shares and 100,000 Class "B" shares at prices ranging between \$31.62 to \$38.16. The share buy-back is consistent with the Corporation's objective to offset the dilutive impact from the granting of stock options.

Molson's capital stock was unchanged at \$719.4 million in fiscal 2003 reflecting shares repurchased by the Corporation during the year offset by the issuance of stock dividends and the exercise of stock options.

Shareholders' equity at March 31, 2003 included cumulative unrealized translation adjustments of \$363.2 million compared to \$5.8 million at March 31, 2002 reflecting the net change in foreign currency denominated net assets of self-sustaining foreign operations on their translation into Canadian dollars at year-end. The translation adjustments for the current year mainly reflect the relative strengthening during fiscal 2003 of the Canadian dollar compared to the Brazilian real.

Molson's book value per share based on shareholders' equity decreased 12% to \$8.12 at March 31, 2003 from \$9.19 at March 31, 2002, reflecting net earnings of \$312.4 million in the current fiscal year which was more than offset by the negative impact of the foreign currency translation account adjustments.

### Dividends

Dividends paid to shareholders totalled \$53.5 million in fiscal 2003, compared with \$45.4 million in fiscal 2002. Molson's quarterly dividend rate was increased by \$0.01 or 10% to \$0.11 per share effective in the third quarter of fiscal 2003. In fiscal 2002, the quarterly dividend was also increased by \$0.01 to \$0.10 in the third quarter.

The dividends declared are consistent with the previously announced dividend policy, approved by the Board of Directors in November 2001, which is to have a dividend payout range of 25% – 30% of trailing net earnings.

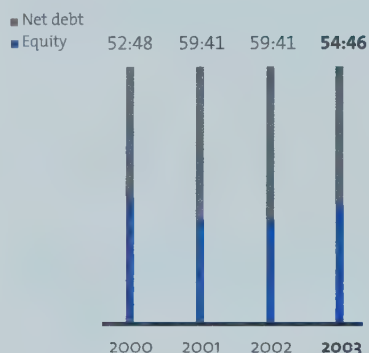
### Financial Instruments and Long-Term Liabilities

Molson's consolidated long-term debt at March 31, 2003 and 2002 was as follows:

<i>(Dollars in millions)</i>	<b>2003</b>	<b>2002</b>
Molson Inc.		
Term loan	<b>\$ 329.3</b>	\$ 607.3
Debentures	<b>149.7</b>	299.3
Molson Canada		
Term Loan	<b>99.9</b>	—
Debentures	<b>580.5</b>	733.4
Brazil	<b>61.2</b>	106.1
	<b>1,220.6</b>	1,746.1
Less current portion	<b>40.6</b>	58.9
	<b>\$ 1,180.0</b>	\$ 1,687.2

## Management's Discussion & Analysis

Net debt-to-equity ratio



At March 31, 2003, the Corporation had \$299.3 million drawn under an 18-month bridge facility that expires on September 17, 2003. The Corporation also has a three-year, \$625 million revolving facility that expires on March 17, 2005 and included \$30 million of drawings as at March 31, 2003 and will be used to repay the balance of the 18-month bridge facility.

The repayment of the \$150.0 million debenture due on March 11, 2003 was funded by existing credit facilities.

On June 7, 2002, Dominion Bond Rating Service confirmed Molson Inc. and Molson Canada's ratings at A (low) and A respectively, both with a stable trend.

Standard and Poor's current credit rating for both Molson Inc. and Molson Canada's long-term debt is BBB+ with a negative outlook and was unchanged from last year.

The Corporation had previously entered into two interest rate swap agreements for \$100 million each on a Molson Canada debenture. In December 2002, the third party bank exercised its right to cancel one contract which resulted in \$100 million in variable rate debt reverting back to fixed rate debt. The other swap agreement has the same term as the debenture due on June 2, 2008.

The Corporation has a securitization arrangement for the sale, with limited recourse, of certain accounts receivable. As of March 31, 2003, Molson received total proceeds of \$54.0 million from the sale of a portion of the outstanding receivables, compared to \$55.0 million received as of March 31, 2002.

Interest rates on total long-term debt ranged between 3.7% and 9.1% in Canada and 6.5% and 21.7% in Brazil during fiscal 2003.

At March 31, 2003, Molson's net debt-to-equity ratio was 54:46 compared to 59:41 in fiscal 2002, reflecting primarily the net repayment of approximately \$483 million of additional debt to acquire Kaiser. Equity decreased as a result of the impact of unrealized translation adjustments which was partially offset by the fiscal 2003 net earnings.

Molson utilizes off-balance sheet financial instruments primarily to manage borrowing costs and to hedge cash flow needs in US dollars and certain commodity requirements. The instruments that are used to hedge these risks consist mainly of swaps, foreign currency options and forward contracts.

Molson follows a policy of not using financial instruments for speculative purposes and has procedures in place to monitor and control the use of financial instruments.

## Management's Discussion & Analysis

### Changes in Cash Flows

The decrease in net cash of \$58.8 million in the current year, together with a comparison for fiscal 2002, is summarized below:

<i>(Dollars in millions)</i>	2003	2002
Provided from operations	<b>\$ 370.1</b>	\$ 292.3
Provided from (used for) working capital	<b>(51.5)</b>	44.8
Rationalization costs	<b>(36.4)</b>	(15.5)
Provided from operating activities	<b>282.2</b>	321.6
Provided from (used for) investing activities	<b>249.8</b>	(1,164.5)
Provided from (used for) financing activities	<b>(578.4)</b>	635.8
Decrease in cash from continuing operations	<b>(46.4)</b>	(207.1)
Effect of exchange rate changes on cash	<b>(6.2)</b>	—
Increase (decrease) in net cash from discontinued operations	<b>(6.2)</b>	201.2
Decrease in cash	<b>\$ (58.8)</b>	\$ (5.9)

Cash flow from operations  
before working capital and  
rationalization costs  
*(Dollars in millions)*



Cash provided from investing activities of \$249.8 million in fiscal 2003 reflected primarily the proceeds of \$333.9 million on the sale of 20% of the operations in Brazil offset in part by \$85.9 million spent on additions to property, plant and equipment.

In fiscal 2002, cash used for investing activities included \$1,136.3 million to acquire Kaiser, as well as \$72.4 million for property, plant and equipment additions.

Cash used for financing activities in fiscal 2003 included the net reduction in long-term debt of \$483.4 million and \$50.2 million for the repurchase of shares under the normal course issuer bid. In fiscal 2002, cash provided from financing activities of \$635.8 million reflected the net increase in long-term debt of \$440.2 million and the issuance of \$238.2 million of Molson Inc. Class "A" shares for cash to finance the acquisition of Kaiser.

Cash used for discontinued operations in fiscal 2003 consisted of \$6.2 million for operating activities to fund obligations previously provided for in the accounts. In fiscal 2002, cash provided from discontinued operations included \$190.0 million received on the sale of the Molson Centre and the Montreal Canadiens.

### Risks and Uncertainties

#### Foreign Exchange Risk

With the acquisitions of Bavaria and Kaiser, Molson is exposed to fluctuations in foreign exchange rate movements as substantially all of its revenues in Brazil are in reais. Also, a significant portion of Molson's operating expenses, in particular those related to hops, malt and aluminum, are also denominated in or linked to US dollars. Molson enters into derivative financial instruments to manage and reduce the impact of changes in foreign currency exchange rates. As of March 31, 2003, hedging activities consisted of foreign exchange contracts and foreign currency swaps including marketable securities indexed to US dollars.

## Management's Discussion & Analysis

### **Commodity Risk**

Molson uses a large volume of agricultural materials to produce its products, including malt and hops. The Corporation purchases a significant portion of its malt and all of its hops outside Brazil and Canada, as well as substantial quantities of aluminum cans. In Brazil, all the hops purchased in the international markets outside South America are paid in US dollars. In addition, although aluminum cans are purchased in Brazil, the price paid is directly influenced by the fluctuation of the US dollar against the Brazilian real. The Corporation reduces exposure to the commodity price fluctuations through the negotiation of fixed prices with suppliers for periods generally less than one year. In addition, a commodity hedging program was introduced in fiscal 2003 which allows for the use of financial instruments to manage and reduce the impact of changes in commodity prices in future years. The Corporation's policy is to enter into hedging contracts for specific business requirements and does not permit the use of financial instruments for speculative purposes.

### **Tax and Other Contingent Liabilities - Brazil**

Kaiser and Bavaria are party to a number of claims from the Brazilian tax authorities. The Corporation has either paid, or alternatively made provisions for, the amounts it believes may be ultimately due pursuant to these claims. These legal tax proceedings include claims for income taxes, Federal excise taxes (IPI), value-added tax (ICMS), revenue taxes (PIS / Federal unemployment insurance contribution) and COFINS (Federal social security tax).

### **Contingent Liabilities**

Molson is subject to certain legal claims arising in the normal course of business and as a result of the disposition of previously held and discontinued businesses, none of which is expected to materially affect the financial results of the Corporation.

### **Environment**

Molson has a comprehensive program, guided by a committee of the Board of Directors, to oversee environmental, crisis management and health and safety matters. Management has concluded, based on existing information and applicable laws and regulations, that the amounts expended or anticipated to be expended by the Corporation on these matters, other than as specifically provided for, are not likely to be material to Molson's operations or financial condition. Management is also unaware of any instance of non-compliance with environmental laws and regulations that is not already being responsibly addressed.

### **Impact of New Accounting Pronouncements**

Effective with the fiscal year commencing on April 1, 2002, Molson adopted the new accounting pronouncements of the CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments" and Accounting Guideline 14 "Disclosure of Guarantees". Further details are provided in notes 1, 17 and 18 to the consolidated financial statements. As previously announced, the Corporation will revise its accounting policy, effective April 1, 2003, to begin expensing the cost of stock options in its accounts.

Effective with the fiscal year commencing on April 1, 2001, Molson adopted the new accounting pronouncements of the CICA Handbook section 3500 "Earnings per Share", section 1751 "Interim Reporting" and section 3062 "Goodwill and Other Intangible Assets". Further details are provided in note 1 to the consolidated financial statements.

## Responsibilities for Financial Statements

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Corporation. Management is responsible for the information and representations contained in these financial statements and other sections of this Annual Report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The major accounting policies followed by the Corporation are set out in note 1 to the financial statements.

To assist management in discharging these responsibilities, the Corporation maintains an effective system of internal control which is designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial records form a reliable base for the preparation of accurate and timely financial information.

PricewaterhouseCoopers LLP, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through an Audit and Finance Committee composed of five independent directors. The Audit and Finance Committee meets periodically with management and with the external auditors to review audit recommendations and any matters that the auditors believe should be brought to the attention of the Board of Directors. The Audit and Finance Committee also reviews the consolidated financial statements and recommends to the Board of Directors that the statements be approved for issuance to the shareholders.



*Daniel J. O'Neill*  
*President and Chief Executive Officer*  
*May 2, 2003*



*Brian Burden*  
*Executive Vice President and Chief Financial Officer*

## Auditors' Report

*To the Shareholders of Molson Inc.*

We have audited the consolidated balance sheets of Molson Inc. as at March 31, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

*PricewaterhouseCoopers, LLP  
Chartered Accountants  
Montreal, Canada, May 2, 2003*

## Consolidated Statements of Earnings

Years ended March 31, 2003 and 2002

(Dollars in millions, except share and per share amounts)

	2003	2002
<b>Sales and other revenues</b>	<b>\$ 3,529.2</b>	<b>\$ 2,830.8</b>
Brewing excise and sales taxes	1,014.0	728.5
<b>Net sales revenue</b>	<b>2,515.2</b>	<b>2,102.3</b>
<b>Costs and expenses</b>		
Cost of sales, selling and administrative costs	1,934.7	1,675.9
Gain on sale of 20% of operations in Brazil (note 3)	(64.2)	—
Provision for rationalization (note 5)	63.5	50.0
	1,934.0	1,725.9
<b>Earnings before interest, income taxes and amortization</b>	<b>581.2</b>	<b>376.4</b>
Amortization of capital assets	64.9	54.6
<b>Earnings before interest and income taxes</b>	<b>516.3</b>	<b>321.8</b>
Net interest expense (note 6)	95.4	65.5
<b>Earnings before income taxes</b>	<b>420.9</b>	<b>256.3</b>
Income tax expense (note 7)	115.0	80.7
<b>Earnings before minority interest</b>	<b>305.9</b>	<b>175.6</b>
Minority interest	6.5	—
<b>Earnings from continuing operations</b>	<b>312.4</b>	<b>175.6</b>
<b>Earnings from discontinued operations (note 8)</b>	<b>—</b>	<b>2.0</b>
<b>Net earnings</b>	<b>\$ 312.4</b>	<b>\$ 177.6</b>
Net earnings per share from continuing operations (note 9)		
Basic	\$ 2.45	\$ 1.46
Diluted	\$ 2.41	\$ 1.43
Net earnings per share (note 9)		
Basic	\$ 2.45	\$ 1.48
Diluted	\$ 2.41	\$ 1.45

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## Consolidated Statements of Retained Earnings

Years ended March 31, 2003 and 2002

(Dollars in millions)

	2003	2002
<b>Retained earnings – beginning of year</b>	<b>\$ 460.3</b>	<b>\$ 328.1</b>
Net earnings	312.4	177.6
Cash dividends declared	(51.8)	(45.0)
Stock dividends declared	(1.7)	(0.4)
Excess of share repurchase price over weighted-average stated capital (note 17)	(42.4)	—
<b>Retained earnings – end of year</b>	<b>\$ 676.8</b>	<b>\$ 460.3</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Balance Sheets

As at March 31, 2003 and 2002

(Dollars in millions)

	2003	2002
<b>Assets</b>		
Current assets		
Cash	\$ 12.2	\$ 71.0
Accounts receivable (note 16)	197.3	196.0
Inventories (note 10)	162.3	183.5
Prepaid expenses	65.4	55.2
	437.2	505.7
Investments and other assets (note 11)	127.6	140.4
Property, plant and equipment (note 12)	1,026.9	1,188.5
Intangible assets, excluding goodwill (note 13)	1,552.5	1,690.4
Goodwill	770.4	981.3
	<b>\$ 3,914.6</b>	<b>\$ 4,506.3</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accruals	\$ 540.4	\$ 624.8
Provision for rationalization costs (note 5)	14.6	28.9
Income taxes payable	77.8	66.1
Dividends payable	14.0	12.0
Future income taxes (note 7)	126.6	89.8
Current portion of long-term debt (note 14)	40.6	58.9
	814.0	880.5
Long-term debt (note 14)	1,180.0	1,687.2
Deferred liabilities (note 15)	380.5	426.5
Future income taxes (note 7)	355.0	338.2
Minority interest	152.1	—
	<b>2,881.6</b>	<b>3,332.4</b>
<b>Shareholders' equity</b>		
Capital stock (note 17)	719.4	719.4
Retained earnings	676.8	460.3
Unrealized translation adjustments (note 21)	(363.2)	(5.8)
	<b>1,033.0</b>	<b>1,173.9</b>
	<b>\$ 3,914.6</b>	<b>\$ 4,506.3</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Signed on behalf of the Board:



Daniel J. O'Neill,  
Director



Lloyd I. Barber,  
Director

# Consolidated Statements of Cash Flows

Years ended March 31, 2003 and 2002

(Dollars in millions)

	2003	2002
<b>Operating activities</b>		
Earnings from continuing operations	\$ 312.4	\$ 175.6
Gain on sale of 20% of operations in Brazil	(64.2)	—
Provisions for rationalization (note 5)	63.5	50.0
Amortization of capital assets	64.9	54.6
Future income taxes	26.2	9.9
Minority interest	(6.5)	—
Other	(26.2)	2.2
Cash provided from operations before working capital and rationalization costs	370.1	292.3
Provided from (used for) working capital	(51.5)	44.8
Rationalization costs	(36.4)	(15.5)
Cash provided from operating activities	282.2	321.6
<b>Investing activities</b>		
Business acquisitions (note 3)	—	(1,136.3)
Proceeds from sale of 20% of operations in Brazil	333.9	—
Additions to property, plant and equipment	(85.9)	(72.4)
Additions to investments and other assets	(9.1)	(3.0)
Additions to intangible assets	—	(2.0)
Proceeds from disposal of property, plant and equipment	1.1	9.4
Proceeds from disposal of investments and other assets	9.8	39.8
Cash provided from (used for) investing activities	249.8	(1,164.5)
<b>Financing activities</b>		
Increase in long-term debt	454.1	867.2
Reduction in long-term debt	(937.5)	(427.0)
Securitization of accounts receivable (note 16)	(1.0)	(2.0)
Shares issued on business acquisition (note 3)	—	238.2
Shares repurchased (note 17)	(50.2)	—
Cash dividends paid	(49.8)	(45.0)
Other	6.0	4.4
Cash provided from (used for) financing activities	(578.4)	635.8
<b>Decrease in cash from continuing operations</b>	<b>(46.4)</b>	<b>(207.1)</b>
<b>Increase (decrease) in net cash from discontinued operations (note 8)</b>	<b>(6.2)</b>	<b>201.2</b>
<b>Decrease in cash</b>	<b>(52.6)</b>	<b>(5.9)</b>
Effect of exchange rate changes on cash	(6.2)	—
<b>Cash, beginning of year</b>	<b>71.0</b>	<b>76.9</b>
<b>Cash, end of year</b>	<b>\$ 12.2</b>	<b>\$ 71.0</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Accounting Policies

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#### Consolidation

The accounts of the Molson Canada partnership and all subsidiaries controlled by the Corporation are consolidated including the 80% interest in the operations in Brazil, which includes Cervejarias Kaiser Brazil S.A. ("Kaiser") and Bavaria S.A. ("Bavaria"). The minority interest accounts reflect the non-controlling shareholder's interest in the Corporation's operations in Brazil.

#### Joint Ventures and Other Investments

The Corporation's 49.9% investment in the Coors Canada partnership and its 50.1% investment in Molson USA are proportionately consolidated.

Investments in entities over which the Corporation exercises significant influence are accounted for by the equity method. Other investments are carried at the lower of cost and net recoverable amount.

#### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future, actual results could differ from the estimates.

#### Inventories

Inventories of raw materials and supplies are valued at the lower of average cost and net realizable value. Work in progress and finished goods are valued at the lower of average cost and net realizable value and include the cost of raw materials, labour and overhead expenses. The cost of returnable containers in Canada is amortized over their estimated useful lives of four years and in Brazil the cost of returnable containers is charged to distributors at the time of shipment.

#### Capital Assets

Property, plant and equipment are stated at the lower of cost less accumulated amortization and the net recoverable amount. Amortization is provided from the date property, plant and equipment are placed into service on a straight-line method, principally at annual rates of 1.5% to 5% for buildings and from 2% to 33% for equipment.

Intangible assets, which include goodwill, brand names and the distribution network access in Brazil are carried at cost less accumulated amortization. In determining the results of the Corporation's 2002 and 2003 fiscal years, Molson has adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard dealing with goodwill and other intangible assets. Under this accounting standard, which can only be applied prospectively, goodwill and other intangible assets with indefinite lives are not amortized, but are tested for impairment at least annually as well as upon adoption of the new standard. Such evaluation determines any impairment in value, taking into account the ability to recover the book value portion of goodwill and other intangible assets from expected future operating cash flows on a discounted basis. The Corporation also considers projected future operating results, trends and other circumstances in making such evaluations. The only intangible asset with a definite life, namely the distribution network access in Brazil, is amortized over its contractual life of 40 years.

#### Revenue Recognition

Revenue is stated net of discounts and returns. Revenue is recognized when the significant risks and rewards of ownership are transferred to the customer or distributor, which is either at the time of shipment to distributors or upon delivery of product to retail customers.

#### Foreign Currency Translation

Earnings of self-sustaining foreign operations are translated to Canadian dollars at average rates of exchange during the year. Assets and liabilities are translated at period-end rates. The differences between translating assets and liabilities at period-end rates, and the exchange rates on the date of acquisition of those assets and liabilities, have been included in shareholders' equity as unrealized translation adjustments.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Accounting Policies (cont'd)

#### Financial Instruments

The Corporation uses derivative financial instruments to hedge its foreign exchange, interest rates and commodities risk exposures. Resulting gains and losses arising from the use of these instruments are recorded upon maturity of the transaction.

#### Income Taxes

Future income tax assets and liabilities are recorded on the differences between the accounting carrying values of balance sheet assets and liabilities and the tax cost bases of these assets and liabilities based on substantively enacted tax laws and rates.

The Corporation reviews the valuation of its future income tax assets and liabilities quarterly and records adjustments, as necessary, to reflect the realizable amount of its future income tax assets and liabilities.

#### Employee Future Benefits

The cost of pension benefits earned by employees covered under defined benefit plans is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. Adjustments arising from plan amendments, changes in assumptions, and experience gains and losses on the net pension asset are amortized on a straight-line basis over the estimated average remaining service lives of the employee groups using the corridor approach. Defined benefit pension plan assets are reported at market values. The determination of pension expense is based on a five-year weighted average of pension plan asset market values. The cost of postemployment benefits other than pension benefits is recognized on an accrual basis over the working lives of employees. The liability has been recorded in deferred liabilities.

#### Stock-Based Compensation Plans

The Corporation has a stock option plan and may grant options to acquire Class "A" non-voting shares. No compensation expense is recognized since there is no difference between the exercise price and the market price of the stock at the time of grant. Consideration paid by employees on the exercise of stock options is credited to share capital when the options are exercised.

The Corporation also has an employee share ownership plan ("MESOP") primarily for all full-time employees in Canada. Under this plan, employees are entitled to have a portion of their base earnings withheld to purchase the Corporation's Class "A" non-voting shares, with the Corporation providing funds to purchase additional Class "A" shares, to a maximum of 1.33% of base earnings. The Corporation's contributions are charged to earnings.

The Corporation has a deferred share unit plan for the members of the Board of Directors. Under the terms of this plan, a portion of the directors' fees are paid to them in the form of deferred share units ("DSU"). Each DSU is equivalent in value to a Class "A" non-voting share of the Corporation and is notionally credited with dividends when shareholders receive dividends from the Corporation. A DSU is paid to a Board member after termination of service or retirement and is payable in cash. The cost of the DSU's is charged to earnings in the period earned and marked to market on a quarterly basis.

### Change in Accounting Policies

Effective April 1, 2002, the Corporation adopted, on a prospective basis, the CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under the new standard, the Corporation continues to account for stock options granted to employees and non-employee directors whereby the difference between the exercise price and the market price of the stock at the time of the grant is charged to earnings over the vesting period. The Corporation is also required, under the new standard, to disclose pro forma net income and pro forma earnings per share as if a fair value-based method of accounting had been used to account for stock options granted to employees. This method of accounting uses an option pricing model to determine the fair value of stock options granted and the amount is amortized over the vesting period. Further details are contained in note 17.

In the current year, the Corporation adopted, on a prospective basis, the CICA Accounting Guideline 14 "Disclosure of Guarantees". Under the new guideline, the Corporation is required to disclose the nature, the maximum potential amount of future payments, the carrying amount of any liability, and the nature of any recourse provisions of all significant guarantees. Further details are contained in note 18.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002

(Dollars in millions, except share and per share amounts)

### Change in Accounting Policies (cont'd)

Effective April 1, 2001, the Corporation adopted the CICA Handbook section 3062 "Goodwill and Other Intangible Assets". Under the new standard, which can only be applied prospectively, goodwill and other intangible assets which have an indefinite life are not amortized, but are tested for impairment at least annually as well as on adoption of the new standard. The effect of this change was to increase fiscal 2002 earnings by \$32.4 or \$0.27 per share.

Effective April 1, 2001, the Corporation adopted the revised recommendations of the CICA Handbook section 3500 "Earnings per Share". The revised Handbook section requires the use of the treasury stock method to compute the dilutive effect of stock options as opposed to the previously used imputed earnings approach.

### Business Acquisitions

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On March 18, 2002, the Corporation acquired all of the outstanding shares of Kaiser, whose assets include the Kaiser brands and eight breweries in Brazil for CAD\$1,136.3 which includes transaction costs and is net of cash acquired. The transaction was financed with a combination of cash, long-term debt and the issuance of US\$150.0 (CAD\$238.2) Molson Inc. Class "A" shares at a price per share of CAD\$30.59, or 7,785,878 shares. These shares must be held by the vendors for a minimum of two years. The operating results of Kaiser for the period March 19, 2002 to March 31, 2002 have been included in the fiscal 2002 consolidated results of the Corporation.

In a separate transaction, which closed on April 17, 2002, Molson sold 20% of its operations in Brazil to Heineken N.V. for total proceeds of US\$218.3 and a gain of CAD\$64.2 was recorded in fiscal 2003. The minority interest recorded represents Heineken's 20% share of earnings from April 18, 2002 to March 31, 2003. These transactions were approved by the Brazilian competition authorities during fiscal 2003.

The acquisition was accounted for using the purchase method which includes the use of estimates in determining the purchase price allocation disclosed at March 31, 2002. The Corporation completed the Kaiser valuation analysis and purchase price allocation in fiscal 2003. Of the CAD\$1,247.8 intangible asset value, CAD\$325.0 was assigned to brand names, CAD\$35.0 to the distribution network access and the residual of CAD\$887.8 to goodwill. Only the distribution network access is considered to have a definite life and is amortized over its contractual life of 40 years. The amount of these intangible assets that is expected to be deductible for tax purposes as goodwill in Brazil is R\$1,321 (CAD\$896 as at March 18, 2002).

The revised details of the Corporation's acquisition of Kaiser in 2002 are as follows:

	2002
Assets acquired and liabilities assumed:	
Working capital	\$ (21.1)
Property, plant and equipment	302.1
Goodwill	887.8
Intangible assets, excluding goodwill	360.0
Long-term debt	(99.0)
Deferred liabilities (note 15)	(304.4)
Other	10.9
	<u>\$ 1,136.3</u>
Consideration:	
Cash (including transaction costs and net of cash acquired)	\$ 898.1
Equity issued	238.2
	<u>\$ 1,136.3</u>

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Business Acquisitions (cont'd)

In finalizing the purchase price allocation, intangible assets, including residual goodwill, were allocated as described above. The residual goodwill was increased mainly due to an increase in deferred liabilities of R\$147.0 (CAD\$99.7).

As part of the acquisition, the Corporation integrated and reorganized its operations in Brazil including the closure of the Divinópolis brewery and the relocation of certain sales, marketing and administrative departments. The Corporation recorded provisions for employee severance, relocation, and other integration costs of CAD\$12.2 and these amounts were reflected in the purchase price allocation.

The closure of the Divinópolis brewery was completed in fiscal 2003. No further costs related to the closure are anticipated. The remaining relocation and integration costs to be incurred in fiscal 2004 are CAD\$1.6.

### Investments in Joint Ventures

The following information includes the Corporation's proportionate share of the assets, liabilities, revenues and expenses, and cash flows of the Corporation's joint venture investments in Coors Canada and Molson USA, which are included in the consolidated financial statements.

	2003	2002
Assets		
Current	\$ 22.3	\$ 19.1
Long-term	\$ 18.6	\$ 18.7
Liabilities		
Current	\$ 16.5	\$ 12.4
Long-term	\$ -	\$ 2.0
Net sales revenue	\$ 241.1	\$ 221.0
Operating costs and other expenses	\$ 188.7	\$ 178.0
Cash provided from (used for):		
Operating activities	\$ 54.8	\$ 41.3
Investing activities	\$ (0.1)	\$ (0.1)

As at March 31, 2003, Molson USA had outstanding forward foreign exchange contracts of which the Corporation's proportionate share is \$20.7 (2002 - \$7.4) and approximates fair value.

### Provisions for Rationalization

During the first quarter of fiscal 2003, the Corporation recorded a pre-tax charge of \$63.5 relating to two plant closures of the Bavaria business as well as the termination costs relating to the former Bavaria distribution network. The charge represents primarily the write-down of property, plant and equipment and employee severance costs as well as the distribution termination costs. The balance of the provision at March 31, 2003 is nil and all closure activities and costs have been completed and paid.

The balance of provisions related to recent brewery closures in Canada at March 31, 2003 is \$14.6 (2002 - \$28.9). All closure activities and costs should be completed and paid by March 31, 2004.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002

(Dollars in millions, except share and per share amounts)

### Net Interest Expense

	2003	2002
Interest on long-term debt	\$ 81.4	\$ 70.0
Interest on deferred liabilities (note 15)	9.6	—
Other	8.3	2.9
	99.3	72.9
Less interest income	(3.9)	(7.4)
	\$ 95.4	\$ 65.5

Interest paid in fiscal 2003 was \$88.4 (2002 – \$75.8).

### Income Taxes

The following table reconciles income taxes calculated at the combined Canadian federal and provincial corporate rates with the income tax expense in the consolidated financial statements:

	2003	2002
Earnings before income taxes	\$ 420.9	\$ 256.3
Income taxes at Canadian statutory rates (2003 – 37.1%, 2002 – 39.5%)	156.0	101.2
Increased (decreased) by the tax effect of:		
Manufacturing and processing deduction	(15.4)	(14.2)
Tax rate changes on future income taxes	—	(15.0)
Non-taxable gains on sale of investments and other assets	(29.3)	—
Large corporations tax	2.0	2.2
Non-deductible and other items	1.7	6.5
	\$ 115.0	\$ 80.7
Comprised of:		
Current portion	\$ 88.8	\$ 70.8
Future portion	\$ 26.2	\$ 9.9

Income taxes paid in fiscal 2003 were \$44.6 (2002 – \$19.7).

Future income tax assets and liabilities are recognized on temporary differences between the accounting and tax bases of existing assets and liabilities as follows:

	2003	2002
Future tax assets		
Deferred gain	\$ 12.2	\$ 14.1
Provision for rationalization costs and other non-deductible reserves	57.6	59.8
Deferred liabilities	78.9	22.1
Other	37.2	34.2
	185.9	130.2
Future tax liabilities		
Intangible assets	(338.2)	(273.7)
Property, plant and equipment	(130.2)	(112.5)
Partnership income deferral	(136.1)	(116.0)
Other	(63.0)	(56.0)
	(667.5)	(558.2)
Net future tax liabilities	\$ (481.6)	\$ (428.0)
Comprised of:		
Current portion	\$ (126.6)	\$ (89.8)
Long-term portion	\$ (355.0)	\$ (338.2)

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## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Income Taxes (cont'd)

There are approximately R\$327 of tax loss carry-forwards arising from the operations in Brazil which can be carried forward indefinitely, subject to certain limitations on use. Of these losses, approximately R\$103 relates to the pre-acquisition tax loss carry-forwards from the Kaiser acquisition and any future utilization of these losses will be recorded as a reduction to the goodwill recorded on acquisition. In addition, subsidiaries of the Corporation in the United States have approximately US\$225 of tax loss carry-forwards arising primarily from the discontinued Diversey business. Certain of these losses expire commencing in 2008. The potential benefit of these tax losses has not been recognized in the accounts of the Corporation.

### Discontinued Operations

	2003	2002
Sales and other revenues	\$ -	\$ 10.7
Net gain on disposal	\$ -	\$ 2.0
Earnings from discontinued operations	\$ -	\$ 2.0

Cash provided from (used for) discontinued operations is as follows:

	2003	2002
Operating activities	\$ (6.2)	\$ 12.6
Investing activities	-	188.6
Cash provided from (used for) discontinued operations	\$ (6.2)	\$ 201.2

The balance sheet includes assets and liabilities relating to discontinued operations as follows: current assets of \$3.0 (2002 - \$3.9), long-term assets of \$18.3 (2002 - \$19.9), current liabilities of \$14.1 (2002 - \$8.8), and long-term liabilities of \$84.1 (2002 - \$97.9).

#### Sports and Entertainment

On July 25, 2001, the Corporation completed the sale of its Sports and Entertainment business consisting of the Montreal Canadiens and the Molson Centre. The Corporation received \$190.0 in cash, less closing adjustments, with the balance of payment in the form of preferred shares of an entity owning both the team and the entertainment business. The preferred shares are redeemable on December 31, 2008 for \$86.5, subject to certain terms and conditions. The Corporation also retains a 19.9% interest in the entity that owns the team and the entertainment business. The net gain on disposal includes the net losses from discontinued operations of the Sports and Entertainment group between January 31, 2001, the measurement date, and the date of disposal together with tax recoveries of \$30.8 and transaction costs.

#### Retail and Chemical Specialties

As a result of the Corporation's disposals of its Retail and Chemical Specialties businesses, the Corporation recorded certain losses and provisions for retained assets as well as other ongoing expenses related to site restoration, contingent liabilities, lease commitments and other possible claims. The estimated losses on the fiscal 1997 disposal of Diversey and the fiscal 2000 disposal of Beaver Lumber were based on management's best estimate assumptions with respect to a variety of items. There remains a risk that the assumptions and resulting estimates on which the remaining provisions are based may change with the passage of time and the availability of additional information. Any further change to the provisions will be recognized as a gain or loss from discontinued operations in the period in which such a change occurs.

The remaining balance of the provision for loss relating to discontinued operations is included in deferred liabilities in the consolidated balance sheet (note 15).

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002

Dollars in millions, except share and per share amounts.

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### Earnings per Share

On August 28, 2001, the shareholders of the Corporation approved a stock split of the Molson Inc. Class "A" non-voting shares and Class "B" common shares on a two-for-one basis.

The following is a reconciliation of the weighted average shares outstanding for basic and diluted earnings per share computations for earnings from continuing operations:

	2003	2002
Earnings from continuing operations	\$ 312.4	\$ 175.8
Weighted average number of shares outstanding – (millions)		
Weighted average number of shares outstanding – basic	127.3	120.1
Effect of dilutive securities	2.2	0.3
Weighted average number of shares outstanding – diluted	129.5	120.4

The dilutive effect of outstanding stock options on earnings per share is based on the application of the treasury stock method. Under this method, the proceeds from the potential exercise of such stock options are assumed to be used to purchase Class "A" non-voting shares. During the year, 768,200 (2002 – 427,000) stock options to purchase Class "A" non-voting shares were not included in the calculation of diluted earnings per share as the exercise price exceeded the average market price of the shares during the year.

### Inventories

	2003	2002
Finished and in process	\$ 65.0	\$ 70.8
Raw materials and supplies	53.9	79.0
Returnable containers	43.4	39.9
	\$ 162.3	\$ 189.7

### Investments and Other Assets

	2003	2002
Investments, at equity	\$ 28.0	\$ 28.4
Investments, at cost <sup>(1)</sup>	61.6	67.9
Long-term receivables and other assets	28.9	42.1
Deferred charges	9.1	10.0
	\$ 127.6	\$ 148.4

<sup>(1)</sup> Includes the Corporation's interest in Brewers Retail Inc. ("BRI").

<sup>(2)</sup> Includes the Corporation's residual interest in the Sports and Entertainment business as described in note 8.

### Property, Plant and Equipment

	2003			2002		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	\$ 58.1	\$ –	\$ 58.1	\$ 63.2	\$ –	\$ 63.2
Buildings	388.9	106.8	282.1	424.0	105.1	318.9
Equipment	989.5	332.8	656.7	1,057.8	306.5	751.3
Assets under construction	30.0	–	30.0	55.1	–	55.1
	\$ 1,466.5	\$ 439.6	\$ 1,026.9	\$ 1,600.1	\$ 411.6	\$ 1,188.5

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002

Dollars in millions, except share and per share amounts

## Intangible Assets, excluding Goodwill

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	2003	2002
Brand names	\$ 1,529.9	\$ 1,655.0
Distribution network access <sup>i</sup>	22.6	35.4
	\$ 1,552.5	\$ 1,690.4

i) The balance is being amortized over the contractual term of the distribution agreement in Brazil of 40 years (note 3). The original cost amounted to \$35.0. The accumulated amortization at March 31, 2003 amounted to \$0.6. 2002 – nil.

## Long-Term Debt

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	2003	2002
Molson Inc.		
Term loan <sup>i</sup>	\$ 329.3	\$ 607.8
Debentures <sup>ii</sup>		
\$150 – 6.4% due May 3, 2002	–	150.0
\$150 – 6.6% due May 3, 2004	149.7	149.8
Molson Canada		
Term loan <sup>iii</sup>	99.9	–
Debentures <sup>iv</sup>		
\$150 – 6.2% due March 11, 2008	–	150.0
\$200 – 6.0% due June 2, 2008	199.6	199.6
\$100 – 9.1% due March 11, 2013	99.9	99.9
\$150 – 6.4% due December 7, 2018	149.8	149.8
\$100 – 6.7% due June 2, 2028	99.5	99.6
Fair value adjustment <sup>v</sup>	31.7	34.7
Brazil <sup>vi</sup>	61.2	106.1
	1,220.6	1,748.1
Less current portion	40.6	58.9
	\$ 1,180.0	\$ 1,689.2

i) Represents borrowings under a \$1,250.0 Senior Credit Facility arranged with a syndicate of banks. The facility was used to finance the acquisition of Kaiser on March 13, 2002 and was originally comprised of a \$500.0 non-revolving 18-month bridge loan which can be extended by the Corporation for an additional six months and a \$625.0 three-year revolving tranche. The bridge loan was permanently reduced by \$200.0 to \$300.0 on June 21, 2002, using a portion of the proceeds from the sale of 20% of the Corporation's Brazilian operations (note 3), while the terms of the three-year revolving tranche remained unchanged. The interest rate on the term loans is floating based on either prime, bankers acceptance or LIBOR rates. The average interest rate in fiscal 2003 was 3.7% (2002 – 4.3%). The facility is a direct, unsecured obligation of the Corporation. Also, the Corporation has a \$50.0 364-day revolving credit facility with a syndicate of banks for general corporate purposes. The Corporation can extend the facility, subject to the approval of the lenders. Effective September 16, 2002, the facility was extended for an additional period of 364 days.

ii) Represents debentures issued on May 3, 1999. On May 3, 2002, the Corporation repaid one of the \$150.0 debentures with existing debt facilities. The remaining debenture is redeemable at the option of the Corporation. The debenture is a direct, unsecured obligation of the Corporation.

iii) Represents a \$100.0 credit facility with a syndicate of banks, which matures on August 31, 2002. The facility is a direct, unsecured obligation and is without recourse to the lenders. Loans under this facility bore interest at rates averaging 4.2% in fiscal 2003.

iv) Represents direct, unsecured debentures which are redeemable at the option of Molson Canada. During fiscal 2002, the Corporation entered into two interest rate swap agreements for a nominal value of \$100.0 each, which converted the \$200.0 debenture due in June 2008 with a fixed rate of 6.0% to a variable rate. In December 2002, a third bank entered into a similar variable rate swap agreement. The average variable interest rate on the swaps in fiscal 2003 was 3.2% (2002 – 3.4%). At March 31, 2003, the interest rate swap had a total fair value of \$5.8 (2002 – \$1.7). Amounts accounted for under interest rate swap agreements are recognized as adjustments to interest expense.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Long-Term Debt (cont'd)

- (iv) Represents the adjustment required to arrive at the fair market value of the Molson Canada debentures as of June 23, 1998, being the date of the acquisition of the additional 50% interest in Molson Canada. This amount is being amortized over the remaining terms of the debentures on a weighted-average basis, which at the acquisition date, was approximately 15 years.
- (vi) Represents primarily Brazilian R\$-denominated loans in the amount of \$33.8 (R\$77.1) (2002 – \$58.2 (R\$84.9)) as well as US\$-denominated loans in the amount of \$0.4 (US\$0.3) (2002 – \$28.4 (US\$17.8)). The R\$-denominated loans bore interest at rates averaging 18.8% during the year (13.9% during the period from March 19, 2002 to March 31, 2002), and the US\$-denominated loans bore interest at rates averaging 6.5% (6.1% during the period from March 19, 2002 to March 31, 2002). The loans are secured by liens on the machinery and equipment financed and the real estate mortgaged. During the year, Kaiser also entered into various revolving facilities, which are fully drawn, in the aggregate amount of \$27.0 (R\$61.6) at an average rate of 21.7%, which includes the effect of interest rate swap agreements entered into during the year. At March 31, 2003, Kaiser has swap agreements with a nominal value of \$11.0 (R\$25.2) and a fair value of approximately nil.
- (vii) The aggregate maturities of long-term debt during the next five years are estimated to be \$440.6, \$187.7, \$6.3, \$3.3 and \$3.1. The Corporation has \$400.0 of term loans maturing in fiscal 2004 that will be refinanced with existing long-term debt facilities.

### Deferred Liabilities

	2003	2002
Contingent tax liabilities <sup>(i)</sup>	\$ 188.0	\$ 167.9
Discontinued operations <sup>(ii)</sup>	84.1	97.9
Deferred gain <sup>(iii)</sup>	38.7	44.7
Deferred sales tax payable <sup>(iv)</sup>	29.7	38.7
Net pension liability	29.0	44.4
Deferred compensation <sup>(v)</sup>	11.0	32.9
	<b>\$ 380.5</b>	<b>\$ 426.5</b>

- (i) Relates to provisions in Brazil primarily for excise (IPI), social security (COFINS), and value-added state (ICMS) taxes.
- (ii) Remaining provisions for loss and deferred liabilities relating to the discontinued operations of the Retail, Chemical Specialties, and Sports and Entertainment businesses (see note 8).
- (iii) The deferred gain arose from the non-cash consideration received on the exchange of brewing assets at the time of the formation of the Molson Canada partnership. Amortization of the balance of the deferred gain will be brought into earnings in equal installments over the next six years or earlier if the non-cash assets are realized.
- (iv) Relates to long-term sales tax payable in certain regions in Brazil and is interest bearing.
- (v) Includes the long-term portion of employee variable compensation and the DSU liability.

### Financial Instruments

As at March 31, 2003, the Corporation had outstanding forward contracts for US\$70.0 (2002 – US\$45.0) and zero cost collars for US\$8.0 (2002 – US\$2.0). At March 31, 2003, the unrealized loss from these forward contracts was \$5.0 (2002 – gain of \$0.4) and the unrealized loss from the zero cost collars was \$0.4 (2002 – nil). At March 31, 2003, Brazil had entered into financial instruments to effectively fix the US dollar exchange rate on future purchases in the amount of US\$23.5 (2002 – zero cost collars of US\$21.7) with an unrealized loss of US\$0.6 (2002 – US\$0.4).

The Corporation has entered into a contract to fix the price on US\$2.8 of aluminum purchases, the fair value of which is approximately nil.

The Corporation has entered into interest rate swap agreements to convert an amount of long-term debt with a fixed rate to a variable rate (see note 14(iv) and 14(vi) for details).

The Corporation's estimate of the fair value of other financial instruments, including accounts receivable and accounts payable, approximates their carrying value.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Financial Instruments (cont'd)

The fair value of all debentures, based on rates currently available for long-term debt with similar terms and maturity dates, is estimated to be \$752 (2002 – \$1,030).

In March 2001, the Corporation entered into a two-year revolving agreement to sell an undivided interest in eligible accounts receivable of Molson Canada, with limited recourse, to a third party up to a maximum of \$125.0. As at March 31, 2003, net cash proceeds received under this agreement were \$54.0 (2002 – \$55.0). As the fair value of the assets transferred is equal to book value, there is no gain or loss reported on the sale of the receivables. The Corporation has retained responsibility for servicing the accounts receivable sold. In March 2003, the agreement was extended for an additional two years.

### Capital Stock

#### AUTHORIZED

The Corporation is authorized to issue:

- (a) an unlimited number of Class "A" non-voting shares;
- (b) an unlimited number of Class "B" common shares; and
- (c) an unlimited number of preference shares, which shall rank in priority to the Class "A" non-voting and Class "B" common shares and may be issued from time to time in series with the designation, rights, privileges, restrictions and conditions attaching to each series as and in the manner set out in its Articles.

The holders of Class "A" non-voting shares are entitled, voting separately as a class on the basis of one vote per share, to elect annually three members of the Board of Directors of the Corporation. Subject to applicable law, the holders of the Class "A" non-voting shares do not otherwise have a right to vote at meetings of shareholders but are entitled to notice of and to attend all shareholders' meetings except class meetings of the holders of another class of shares. The holders of the Class "B" common shares are entitled to one vote per share at all meetings of shareholders except class meetings of the holders of another class of shares.

In each fiscal year, the holders of the Class "A" non-voting shares are entitled to receive non-cumulative dividends aggregating \$0.033 per share (after the fiscal 2002 stock split) before any dividends may be paid on the Class "B" common shares. No further dividends can be paid to the holders of the Class "A" non-voting shares until dividends aggregating \$0.033 per share have been declared or paid on the Class "B" common shares, and thereafter the Class "A" non-voting shares and the Class "B" common shares participate equally as to all dividends declared.

In the event of the liquidation, dissolution or winding-up of the Corporation, the holders of the Class "A" non-voting shares and the holders of the Class "B" common shares would be entitled to share equally, share for share, in all distributions of the assets of the Corporation.

A holder of Class "B" common shares shall be entitled at any time and from time to time to have all or any portion of such Class "B" common shares converted into Class "A" non-voting shares on the basis of one Class "A" non-voting share for each Class "B" common share in respect of which the conversion right is exercised.

If a general takeover bid offer is made to purchase Class "B" common shares, then the holders of Class "A" non-voting shares may convert all or any of their Class "A" non-voting shares into an equal number of Class "B" common shares for the purpose of tendering such shares into the offer unless (i) a takeover bid offer is made to purchase Class "A" non-voting shares on identical terms as the offer for the Class "B" common shares; or (ii) holders of more than 50% of the then outstanding Class "B" common shares certify within a prescribed period of time that they do not intend to tender any Class "B" common shares in acceptance of the offer.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Capital Stock (cont'd)

On November 7, 2001, the Board of Directors authorized a normal course issuer bid allowing Molson to purchase for cancellation 4,500,000 Class "A" non-voting shares and 900,000 Class "B" common shares. Purchases may be made at certain times over a 12-month period through the facilities of the Toronto Stock Exchange when the Corporation believes circumstances and trading price warrant a share purchase as an appropriate use of corporate funds and for the potential benefit of Molson shareholders. The normal course issuer bid became effective December 14, 2001 and expired on December 13, 2002. On March 14, 2003, the Corporation extended the normal course issuer bid, which expires on March 12, 2004, to purchase for cancellation 3,141,000 Class "A" non-voting shares and 674,760 Class "B" common shares.

During the year ended March 31, 2003, the Corporation repurchased 1,281,275 Class "A" shares and 100,000 Class "B" shares at prices ranging between \$31.62 and \$38.16 per share as part of the above-mentioned normal course issuer bid. The total number of Class "A" and Class "B" shares outstanding at March 31, 2003 was 127,223,581. Of the total amount of \$50.2 repurchased, \$7.8 was charged to capital stock based on the weighted-average stated capital with the excess of \$42.4 being charged to retained earnings.

#### ISSUED AND OUTSTANDING

On August 28, 2001, the shareholders of the Corporation approved a stock split of the Molson Inc. Class "A" non-voting shares and Class "B" common shares on a two-for-one basis.

On March 19, 2002, as part of the Kaiser acquisition, the Corporation issued 7,785,878 Class "A" shares for proceeds of US\$150.0 at a price per share of CAD\$30.59.

At March 31, the following shares were issued and outstanding:

	2003		2002	
	Shares	Amount	Shares	Amount
Class "A" non-voting	104,754,563	\$ 714.4	104,724,566	\$ 713.8
Class "B" common	22,469,018	5.0	22,999,434	5.6
	127,223,581	\$ 719.4	127,724,000	\$ 719.4

During the year the net change in Class "A" non-voting shares was as follows:

	2003		2002	
	Shares	Amount	Shares	Amount
Stock options exercised <sup>(i)</sup>	821,439	\$ 5.9	382,617	\$ 3.1
Stock dividend payments	54,375	1.7	15,486	0.4
Shares issued on business acquisition	—	—	7,785,878	238.2
Shares repurchased	(1,281,275)	(7.2)	—	—
Issued for cash	5,042	0.2	6,461	0.1
	(400,419)	\$ 0.6	8,190,442	\$ 241.8

<sup>(i)</sup> Including the exercise of options under the stock appreciation rights plan until June 30, 2002.

During the year ended March 31, 2003, 430,416 Class "B" common shares (2002 – 1,006,500) were converted into Class "A" non-voting shares and 100,000 Class "B" shares were repurchased as part of the normal course issuer bid.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Capital Stock (cont'd)

#### STOCK OPTIONS

The Corporation has a stock option plan for eligible employees and non-employee directors of the Corporation, under which Class "A" non-voting shares of the Corporation may be purchased at a price equal to the market price of the common shares at the date of the granting of the option. Effective June 30, 2002, the plan was amended to terminate the stock appreciation rights associated with the plan so that each outstanding award consists solely of an employee stock option. The options vest over a period of two, three, four or five years and are exercisable for a period not to exceed ten years from the date of the grant. At March 31, 2003, there were 5,400,093 stock options outstanding and 2,469,345 stock options available for future grants. During the year, the Corporation granted 953,200 stock options at exercise prices ranging between \$29.43 and \$36.79.

The Corporation accounts for these awards whereby the difference between the exercise price and the market price of the stock at the time of grant is charged to earnings. Accordingly, no compensation cost has been recognized for its stock option plan. If the Corporation had determined compensation cost related to its stock option plan based on the fair value at the grant date for awards granted during the year, the Corporation's net income and earnings per share would have been reduced to the pro forma amounts indicated below. The effect of awards granted prior to April 1, 2002 has not been included in the pro forma amounts.

<i>Year ended March 31</i>	<b>2003</b>
Net earnings as reported	<b>\$ 312.4</b>
Net earnings – pro forma	<b>\$ 308.7</b>
Net earnings per share as reported	<b>\$ 2.45</b>
Basic earnings per share – pro forma	<b>\$ 2.42</b>
Diluted earnings per share as reported	<b>\$ 2.41</b>
Diluted earnings per share – pro forma	<b>\$ 2.38</b>

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants during the year: dividend yield of 2.0%; expected volatility of 24.3%; risk-free interest rate of 5.0%; and an expected life of 6 years. The weighted average fair value of options granted in the year is \$9.50 per share and would be amortized over the vesting period.

A summary of the status of the Corporation's stock option plan as at March 31, 2003 and 2002 and of changes during the years ending on those dates is presented below:

	<b>2003</b>		<b>2002</b>	
	<b>Stock options</b>	<b>Weighted Average Exercise Price</b>	<b>Stock options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at beginning of year	5,586,892	\$ 15.43	4,915,500	\$ 12.22
Granted	953,200	\$ 35.25	1,652,400	\$ 24.67
Exercised	(995,224)	\$ 12.58	(539,575)	\$ 13.21
Forfeited	(144,775)	\$ 19.60	(441,433)	\$ 17.00
Outstanding at end of year	5,400,093	\$ 19.34	5,586,892	\$ 15.43

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Capital Stock (cont'd)

The following table summarizes information on stock options outstanding at March 31, 2003:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Outstanding at March 31, 2003	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at March 31, 2003	Weighted Average Exercise Price
\$ 9.65 – \$15.07	2,934,268	5.9	\$ 11.61	1,425,517	\$ 11.43
\$15.08 – \$25.93	1,104,875	8.1	\$ 22.13	140,300	\$ 22.05
\$25.94 – \$31.36	592,750	9.1	\$ 30.33	5,500	\$ 28.89
\$31.37 – \$36.79	768,200	9.2	\$ 36.40	9,064	\$ 33.82
	5,400,093	7.2	\$ 19.34	1,580,381	\$ 12.56

At March 31, 2003, 2,469,345 Class "A" non-voting shares (2002 – 3,103,985) were available for granting further options and 895,036 Class "A" non-voting shares (2002 – 954,453) were available for optional stock dividends.

#### OTHER STOCK-BASED COMPENSATION

The Corporation's MESOP contributions of \$1.6 were charged to earnings during the year.

As of March 31, 2003, 151,115 DSU's are outstanding. For the year ended March 31, 2003, \$0.7 was charged to earnings representing the accrual for services provided in the period which were paid with the issuance of DSU's.

### Commitments and Contingencies

The following table represents minimum lease payments for operating lease obligations:

Fiscal Year	Minimum Lease Payments
2004	\$ 21.0
2005	18.4
2006	13.3
2007	11.8
2008	7.9
Thereafter	32.3
Total	\$ 104.7

At March 31, 2003, the Corporation had outstanding letters of credit totalling \$84.5 (2002 - \$84.9).

Kaiser is party to a number of claims from the Brazilian tax authorities. The Corporation has either paid, or alternatively made provisions for the amounts it believes may be ultimately due pursuant to such claims.

The Corporation has given certain undertakings to the lenders of the purchaser of the Montreal Canadiens and the Bell Centre, formerly known as the Molson Centre such that, in the event that the purchaser is unable to meet its obligations, Molson would exercise control over the entity that owns the entertainment business and the Montreal Canadiens at predetermined conditions, subject to National Hockey League approval. The obligations of the purchaser to such lenders at March 31, 2003 were \$92.0.

The Corporation and another shareholder of BRI could be required to accelerate the terms of certain payment arrangements sufficient to satisfy their proportionate share of any default on the \$200.0 debentures of BRI.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

The Corporation is a guarantor of a 99-year lease arrangement related to the land on which the Bell Centre has been constructed. Annual lease payments in fiscal 2003 amounted to \$2.2 and are based on prevailing interest rates and changes in the Consumer Price Index.

The Corporation is also subject to certain legal claims arising in the normal course of business, none of which is expected to materially affect the financial results of the Corporation.

### Pension and Benefits

The Corporation has a number of pension plans, of both a contributory and non-contributory nature, which cover certain employees. The majority of pension plans provide defined benefits. The Corporation also has postemployment benefit obligations for certain retired employees.

The components of the Corporation's benefit expense include the following:

	Pension Plans		Other Benefit Plans	
	2003	2002	2003	2002
Defined benefit plans				
Benefits earned during the year	\$ 11.2	\$ 8.5	\$ 1.9	\$ 1.5
Interest cost on benefit obligation	52.8	53.3	7.0	6.7
Return on plan assets	(56.0)	(57.1)	—	—
Other	1.0	0.3	—	—
	9.0	5.0	8.9	8.2
Defined contribution plans	3.6	3.9	—	—
Benefit expense - continuing operations	\$ 12.6	\$ 8.9	\$ 8.9	\$ 8.2

The actuarial determinations were based on the following assumptions in each year:

	2003	2002
Assumed discount rate - year end	6.3%	6.5%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of increase in future compensation	5.0%	5.0%
Rate of increase in future government benefits	2.5%	2.5%

The health care cost trend rates used in 2003 were 7.0% for medical, which is reduced 0.5% per year until 2007, and 5.0% thereafter.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

### Pension and Benefits (cont'd)

The following information pertains to the Corporation's defined benefit pension plans and other benefit plans:

	Pension Plans		Other Benefit Plans	
	2003	2002	2003	2002
<b>Plan obligation</b>				
Accrued benefit obligation at beginning of year	\$ 824.4	\$ 786.3	\$ 108.0	\$ 96.4
Current service cost	14.4	12.7	1.9	1.5
Interest cost	52.8	53.3	7.0	6.7
Benefits paid	(56.1)	(75.4)	(4.4)	(4.2)
Actuarial losses and other costs	27.2	47.5	4.6	7.6
Balance, end of the year	\$ 862.7	\$ 824.4	\$ 117.1	\$ 108.0
<b>Plan assets</b>				
Market value at beginning of year	\$ 749.1	\$ 810.5	\$ -	\$ -
Actual return of plan assets	(46.7)	(17.1)	-	-
Employer contributions	26.5	26.9	4.4	4.2
Employee contributions	3.2	4.2	-	-
Benefits paid	(56.1)	(75.4)	(4.4)	(4.2)
Balance, end of the year	\$ 676.0	\$ 749.1	\$ -	\$ -
<b>Plan surplus (deficit)</b>				
Funded status	\$ (186.7)	\$ (75.3)	\$ (117.1)	\$ (108.0)
Unamortized net actuarial losses	247.2	118.1	15.2	10.1
Other unamortized past service costs	4.0	2.8	-	-
Other	7.3	6.8	1.1	1.2
<b>Accrued benefit asset (liability)</b>	\$ 71.8	\$ 52.4	\$ (100.8)	\$ (96.8)

As at March 31, 2003, eight of the Corporation's pension plans, included in the above table, had an unfunded obligation of \$215.0 (2002 - \$106.6) with an accrued benefit obligation of \$824.1 (2002 - \$768.6) and plan assets with a fair value of \$609.1 (2002 - \$662.0).

As at March 31, 2003, approximately 66% (2002 - 68%) of all pension plan assets were invested in equities and 34% (2002 - 32%) in fixed income securities.

### Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties. All related party transactions are recorded at their exchange amounts. In Ontario and the western provinces, Molson Canada distributes its product and incurs distribution costs through sales to its equity-accounted provincial distribution companies.

Included in cost of sales, selling and administrative costs in the consolidated statements of earnings are distribution and other costs of \$166.5 (2002 - \$160.1) charged by the equity-accounted provincial distribution companies.

Included in accounts payable and accruals as at March 31, 2003 were amounts of \$8.2 (2002 - \$8.4) payable to the equity-accounted provincial distribution companies.

## Notes to Consolidated Financial Statements

For the years ended March 31, 2003 and 2002  
(Dollars in millions, except share and per share amounts)

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### Unrealized Translation Adjustments

Unrealized translation adjustments, which arise on the translation to Canadian dollars of assets and liabilities of foreign self-sustaining operations, resulted in a cumulative loss of \$363.2 (2002 – \$5.8) at March 31, 2003. The change in the current year reflects the relative strengthening during fiscal 2003 of the Canadian dollar against the Brazilian real.

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### Segment Disclosures

The Corporation's business is producing and marketing beer and other malt-based beverages. Its business units are located in three main geographic regions: Canada, Brazil and the United States.

These segments are managed separately since they all require specific market strategies. The Corporation assesses the performance of each segment based on operating income or earnings before interest and income taxes ("EBIT"). Accounting policies relating to each segment are identical to those used for purposes of the consolidated financial statements. Management of net interest expense and income tax expense are centralized and, consequently, these expenses are not allocated among operating groups. Inter-segment revenues reflect transactions made on an arms-length basis.

	Canada	Brazil	United States	Consolidated
Revenues from external customers				
<b>2003</b>	<b>2,628.3</b>	<b>816.0</b>	<b>84.9</b>	<b>3,529.2</b>
2002	2,520.1	224.0	86.7	2,830.8
Inter-segment revenues				
<b>2003</b>	<b>41.2</b>	<b>–</b>	<b>–</b>	<b>41.2</b>
2002	32.6	–	–	32.6
EBIT				
<b>2003</b>	<b>485.4</b>	<b>37.2<sup>(ii)</sup></b>	<b>(6.3)</b>	<b>516.3</b>
2002	330.4 <sup>(i)</sup>	(2.9)	(5.7)	321.8
Assets				
<b>2003</b>	<b>2,567.8</b>	<b>1,185.1</b>	<b>161.7</b>	<b>3,914.6</b>
2002	2,529.7	1,816.4	160.2	4,506.3
Goodwill				
<b>2003</b>	<b>198.0</b>	<b>572.4<sup>(iii)</sup></b>	<b>–</b>	<b>770.4</b>
2002	198.0	783.3 <sup>(iii)</sup>	–	981.3
Amortization of capital assets				
<b>2003</b>	<b>44.7</b>	<b>20.0</b>	<b>0.2</b>	<b>64.9</b>
2002	47.2	7.4	–	54.6
Additions to capital assets				
<b>2003</b>	<b>65.5</b>	<b>20.3</b>	<b>0.1</b>	<b>85.9</b>
2002	74.0	1,446.2 <sup>(iii)</sup>	0.4	1,520.6

<sup>(i)</sup> Includes a provision for rationalization of \$50.0.

<sup>(ii)</sup> Includes the gain on sale of 20% of Molson's operations in Brazil of \$64.2 and a provision for rationalization of \$60.0.

<sup>(iii)</sup> See note 3.

### Comparative Figures

Certain comparative figures have been restated to conform to the current year's basis of presentation.

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## Supplementary Information

## Quarterly Consolidated Financial Information

	FISCAL 2003				
<i>(Dollars in millions, except per share amounts)</i>	June	September	December	March	Total
<b>Sales and other revenues</b>	\$ 968.5	\$ 953.3	\$ 903.1	\$ 704.3	\$ 3,529.2
Brewing excise and sales taxes	281.7	267.7	261.8	202.8	1,014.0
<b>Net sales revenue</b>	686.8	685.6	641.3	501.5	2,515.2
<b>Costs and expenses</b>					
Cost of sales, selling and administrative costs	538.2	524.8	499.8	371.9	1,934.7
Gain on sale of 20% of operations in Brazil	(64.2)	—	—	—	(64.2)
Provisions for rationalization	63.5	—	—	—	63.5
	537.5	524.8	499.8	371.9	1,934.0
<b>Earnings before interest, income taxes and amortization</b>	149.3	160.8	141.5	129.6	581.2
Amortization of capital assets	18.9	15.8	16.3	13.9	64.9
<b>Earnings before interest and income taxes</b>	130.4	145.0	125.2	115.7	516.3
Net interest expense	24.3	21.4	23.9	25.8	95.4
<b>Earnings before income taxes</b>	106.1	123.6	101.3	89.9	420.9
Income tax expense	12.7	40.2	32.9	29.2	115.0
<b>Earnings before minority interest</b>	93.4	83.4	68.4	60.7	305.9
Minority interest	8.1	(0.1)	(1.4)	(0.1)	6.5
<b>Earnings from continuing operations</b>	101.5	83.3	67.0	60.6	312.4
Earnings from discontinued operations	—	—	—	—	—
<b>Net earnings</b>	\$ 101.5	\$ 83.3	\$ 67.0	\$ 60.6	\$ 312.4
Basic net earnings per share:					
Continuing operations	\$ 0.80	\$ 0.66	\$ 0.53	\$ 0.48	\$ 2.45
Discontinued operations	—	—	—	—	—
<b>Total</b>	\$ 0.80	\$ 0.66	\$ 0.53	\$ 0.48	\$ 2.45
Diluted net earnings per share:					
Continuing operations	\$ 0.78	\$ 0.64	\$ 0.52	\$ 0.47	\$ 2.41
Discontinued operations	—	—	—	—	—
<b>Total</b>	\$ 0.78	\$ 0.64	\$ 0.52	\$ 0.47	\$ 2.41
<b>Dividends</b>	\$ 0.10	\$ 0.10	\$ 0.11	\$ 0.11	\$ 0.42
Cash provided from operations before working capital and rationalization costs	\$ 92.3	\$ 101.9	\$ 107.1	\$ 68.8	\$ 370.1
Weighted average outstanding shares <i>(millions)</i>					
Basic	127.5	127.1	127.2	127.3	127.3
Diluted	130.2	129.4	129.4	129.5	129.5

# Supplementary Information

## Quarterly Consolidated Financial Information

(Dollars in millions, except per share amounts)	FISCAL 2002				
	June	September	December	March	Total
<b>Sales and other revenues</b>	\$ 758.9	\$ 760.2	\$ 692.4	\$ 619.3	\$ 2,830.8
Brewing excise and sales taxes	193.1	196.0	176.0	163.4	728.5
<b>Net sales revenue</b>	565.8	564.2	516.4	455.9	2,102.3
<b>Costs and expenses</b>					
Cost of sales, selling and administrative costs	448.0	435.2	417.9	374.8	1,675.9
Gain on sale of 20% of operations in Brazil	—	—	—	—	—
Provisions for rationalization	50.0	—	—	—	50.0
	498.0	435.2	417.9	374.8	1,725.9
<b>Earnings before interest, income taxes and amortization</b>	67.8	129.0	98.5	81.1	376.4
Amortization of capital assets	14.1	14.2	13.1	13.2	54.6
<b>Earnings before interest and income taxes</b>	53.7	114.8	85.4	67.9	321.8
Net interest expense	18.8	16.5	13.9	16.3	65.5
<b>Earnings before income taxes</b>	34.9	98.3	71.5	51.6	256.3
Income tax expense (recovery)	(0.2)	36.4	26.5	18.0	80.7
<b>Earnings before minority interest</b>	35.1	61.9	45.0	33.6	175.6
Minority interest	—	—	—	—	—
<b>Earnings from continuing operations</b>	35.1	61.9	45.0	33.6	175.6
Earnings from discontinued operations	—	2.0	—	—	2.0
<b>Net earnings</b>	\$ 35.1	\$ 63.9	\$ 45.0	\$ 33.6	\$ 177.6
Basic net earnings per share:					
Continuing operations	\$ 0.29	\$ 0.52	\$ 0.38	\$ 0.28	\$ 1.46
Discontinued operations	—	0.02	—	—	0.02
<b>Total</b>	\$ 0.29	\$ 0.54	\$ 0.38	\$ 0.28	\$ 1.48
Diluted net earnings per share:					
Continuing operations	\$ 0.29	\$ 0.51	\$ 0.37	\$ 0.27	\$ 1.43
Discontinued operations	—	0.02	—	—	0.02
<b>Total</b>	\$ 0.29	\$ 0.53	\$ 0.37	\$ 0.27	\$ 1.45
<b>Dividends</b>	\$ 0.09	\$ 0.09	\$ 0.10	\$ 0.10	\$ 0.38
Cash provided from operations before working capital and rationalization costs	\$ 81.8	\$ 70.5	\$ 82.3	\$ 57.7	\$ 292.3
Weighted average outstanding shares (millions)					
Basic	119.6	119.7	119.8	121.1	120.1
Diluted	121.8	122.0	122.2	123.8	122.4

The above tables reflect a 2-for-1 stock split which took effect September 2001.

# Ten Year Operating and Financial Record

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>Operations (Dollars in millions)</b>										
Sales and other revenues	3,529.2	2,830.8	2,483.4	2,375.0	1,962.8	937.7	855.3	848.0	859.6	859.3
Brewing excise and sales taxes	1,014.0	728.5	626.3	621.3	536.0	259.8	244.5	253.2	257.6	261.9
<b>Net sales revenue</b>	<b>2,515.2</b>	<b>2,102.3</b>	<b>1,857.1</b>	<b>1,753.7</b>	<b>1,426.8</b>	<b>677.9</b>	<b>610.8</b>	<b>594.8</b>	<b>602.0</b>	<b>597.4</b>
EBITDA	581.2	376.4	351.5	95.5	198.7	96.7	20.7	32.1	128.7	132.4
Amortization of capital assets	64.9	54.6	87.9	91.3	74.0	24.7	21.3	20.4	20.0	18.3
Net interest expense	95.4	65.5	68.7	72.5	55.9	3.5	9.6	27.4	31.9	33.9
Earnings (loss) before income taxes	420.9	256.3	194.9	(68.3)	68.8	68.5	(10.2)	(15.7)	76.8	80.2
Income tax expense (recovery)	115.0	80.7	57.7	(2.5)	37.8	23.1	(3.1)	15.3	18.4	22.0
Earnings (loss) before minority interest	305.9	175.6	137.2	(65.8)	31.0	45.4	(7.1)	(31.0)	58.4	58.2
Minority interest	6.5	-	-	-	-	-	-	-	-	-
Earnings (loss) from:										
Continuing operations	312.4	175.6	137.2	(65.8)	31.0	45.4	(7.1)	(31.0)	58.4	58.2
Discontinued operations	-	2.0	(3.3)	21.8	138.9	65.7	40.6	(274.5)	28.4	67.5
<b>Net earnings (loss)</b>	<b>312.4</b>	<b>177.6</b>	<b>133.9</b>	<b>(44.0)</b>	<b>169.9</b>	<b>111.1</b>	<b>33.5</b>	<b>(305.5)</b>	<b>86.8</b>	<b>125.7</b>
Cash provided from operations before working capital and rationalization costs <sup>(i)</sup>	370.1	292.3	232.0	211.7	166.7	80.1	88.3	66.2	43.3	188.2
<b>Financial (Dollars in millions)</b>										
Working capital	(376.8)	(374.8)	(186.0)	(146.3)	(120.2)	312.6	520.7	30.8	113.0	283.0
Current ratio	0.5:1	0.6:1	0.7:1	0.8:1	0.8:1	1.7:1	1.9:1	1.0:1	1.1:1	1.4:1
Additions to property, plant and equipment	85.9	72.4	57.1	53.7	58.7	31.9	21.6	25.7	20.1	73.5
Total assets	3,914.6	4,506.3	3,280.8	3,111.8	3,439.6	2,284.3	2,172.3	2,990.1	3,071.9	2,769.7
Long-term debt	1,220.6	1,746.1	1,204.4	1,111.9	1,221.5	511.1	436.0	848.7	480.2	440.0
Shareholders' equity	1,033.0	1,173.9	795.4	1,025.7	1,108.1	978.5	907.0	905.2	1,373.6	1,308.5
Return on shareholders' equity (average)	28.3%	18.0%	14.7%	(4.1)%	16.3%	11.9%	3.6%	(24.7)%	6.4%	10.2%
Net debt:equity ratio	54:46	59:41	59:41	52:48	52:48	34:66	n/m(ii)	48:52	26:74	25:75
Net interest coverage <sup>(iii)</sup>	5.4:1	4.9:1	3.8:1	0.1:1	2.2:1	20.6:1	(0.1):1	0.4:1	3.7:1	3.4:1
<b>Per Share (Dollars) <sup>(iv)</sup></b>										
Net earnings (loss)	2.45	1.48	1.12	(0.37)	1.44	0.94	0.29	(2.64)	0.75	1.07
Net earnings (loss) from continuing ops	2.45	1.46	1.15	(0.56)	0.26	0.39	(0.06)	(0.27)	0.50	0.49
Dividends	0.42	0.38	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
Shareholders' equity	8.12	9.19	6.65	8.65	9.38	8.30	7.74	7.80	11.90	11.11
<b>Other</b>										
Number of shares outstanding (thousands) <sup>(iv)</sup>	127,224	127,724	119,534	118,558	118,074	117,884	117,214	116,120	115,464	117,792
Number of shareholders	4,424	4,467	4,507	4,779	4,945	5,042	5,236	5,352	5,682	5,948
Number of employees <sup>(iii)</sup>	5,400	5,900	3,800	3,600	3,900	3,900	4,300	4,000	4,300	4,400

<sup>(i)</sup> Fiscal 1994 has not been restated to exclude discontinued operations

<sup>(ii)</sup> n/m = not meaningful (cash exceeded total debt by \$145.4 million)

<sup>(iii)</sup> Excludes discontinued operations

<sup>(iv)</sup> After a 2-for-1 stock split which took effect in September 2001

## Senior Management



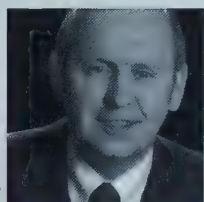
1



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7



13

**1- Daniel J. O'Neill**  
President and  
Chief Executive Officer

**2- Peter L. Amirault**  
Senior Vice President,  
Business Development  
and Innovation

**3- Brian Burden**  
Executive Vice President and  
Chief Financial Officer

**4- Robert Coallier**  
President and  
Chief Executive Officer,  
Cervejarias Kaiser  
and Executive Vice President,  
Molson Inc.

**5- Bernard Cormier**  
Senior Vice President,  
Human Resources

**6- Raynald H. Doin**  
President,  
Quebec/Atlantic Region,  
Molson Canada

**7- Michael S. Downey**  
President,  
Ontario/West Region,  
Molson Canada

**8- Marie Giguère**  
Senior Vice President,  
Chief Legal Officer and  
Secretary

**9- Patrick L. Kelley <sup>(1)</sup>**  
Senior Vice President,  
International Brewing Strategy

**10- Sylvia Morin**  
Vice President,  
Corporate Affairs

**11- Cathy Noonan**  
Senior Vice President,  
Global Costs

**12- David Perkins**  
President,  
Molson USA, LLC

**13- Gregory L. Wade**  
Senior Vice President,  
Quality Brewing

<sup>(1)</sup> retiring June 2003

## Directors

**Eric H. Molson (2, 3, 4)**

Chairman of the Board  
Molson Inc.

**R. Ian Molson (1, 3, 4)**

Deputy Chairman  
Molson Inc.

**Dr. L.I. Barber, C.C., S.O.M., LL.D. (1, 2, 5)**

Corporate Director

**Matthew W. Barrett, O.C. (1, 3, 4)**

Group Chief Executive  
Barclays PLC

**Luc Beaugregard, C.M. (2, 5)**

Chairman and Chief Executive Officer  
NATIONAL Public Relations

**Dr. Francesco Bellini, O.C. (2, 5)**

Chairman and Chief Executive Officer  
Neurochem Inc. and  
Chairman  
Picchio International Inc.

**Daniel W. Colson (1, 4)**

Vice Chairman  
Hollinger International Inc.

**Donald G. Drapkin (4)**

Vice Chairman and Director  
MacAndrews & Forbes Holdings Inc.

**Luiz Otávio P. Gonçalves**

Chief Executive Officer  
Empresas Regon

**Robert A. Ingram**

Vice Chairman, Pharmaceuticals  
GlaxoSmithKline

**Stephen T. Molson (2, 5)**

President  
The Molson Foundation

**David P. O'Brien**

Chairman  
EnCana Corporation

**Daniel J. O'Neill (3)**

President and Chief Executive Officer  
Molson Inc.

**H. Sanford Riley, C.M. (1, 5)**

Corporate Director

**James T. Black, F.C.A., C.M.**

Honorary Chairman of the Board  
Molson Inc.

## Board of Directors' Committees

The Board of Directors maintains five standing committees.

### 1. Audit and Finance Committee

The Audit and Finance Committee assists the Board in fulfilling its oversight responsibility of the Corporation's financial controls and reporting as well as its fiduciary duties with regard to the Corporation's compliance with financial covenants, legal and regulatory requirements in financial matters, public disclosure policy and financial risk management. It reviews the Corporation's annual consolidated financial statements, quarterly financial statements and management discussion and analysis and annual information form before they are submitted to the Board. It works jointly with the external auditors and management to develop the annual audit plan and recommendations on internal controls. The Committee meets with the Corporation's Auditors independently of management at least once a year. It also reviews the Corporation's annual and long-term financial plans, proposals for major borrowings and the issuance of securities, and makes recommendations to the Board with respect to financial strategies and policies. In addition, the Committee deals with financial risk management.

### 2. Environment, Health and Safety Committee

The Environment, Health and Safety Committee sets environmental and occupational health and safety policy standards and accountabilities for the Corporation. The Committee oversees environment and health and safety issues in relation to the various areas of the Corporation's business, as applicable. It is also responsible for reviewing compliance with applicable legislation and programs, including crisis management training and safety measurement systems. It reviews strategies, goals and programs put into place in these areas, and recommendations from outside specialists retained as required to reassess specific risks. It regularly reviews data on the frequency and severity of safety incidents.

### 3. Executive Committee

The Executive Committee acts on behalf of the Board, according to terms authorized by the Board, in managing or supervising the management of the Corporation's business when the full Board is not in session.

### 4. Human Resources and Corporate Governance Committee

The Human Resources and Corporate Governance Committee is responsible for the development and maintenance of the Corporation's corporate governance practices, including the structures and composition of the Board and Board committees; defining the relationship, roles and authority of the Board and management; identifying and recommending suitable Director candidates; setting Directors' compensation, and external reporting of the Corporation's approach to corporate governance and executive compensation.

In addition, it reviews, develops and recommends to the Board appropriate management compensation policies, programs and levels. The Committee reviews the Corporation's management compensation strategy and programs to ensure that they are aligned with shareholders' interests and corporate performance. The Committee develops performance objectives in conjunction with the Chief Executive Officer and assesses the performance of the Chief Executive Officer annually in relation to these objectives. In addition, the Committee is responsible for reviewing short-term and long-term succession plans for senior officers of the Corporation.

### 5. Pension Fund Committee

The Pension Fund Committee formulates general investment policy, monitors the implementation of that policy and reports to the Board at least annually on investment results achieved. It also reviews and comments on the reports of the Corporation's actuary and their implications, and the level of the Corporation's contributions to the pension plans with respect to both current service and unfunded liabilities.

## Shareholder Information

### Registered and Executive Office

1555 Notre-Dame Street East,  
Montreal, Quebec H2L 2R5  
Telephone: (514) 521-1786

### Registrar and Transfer Agent

CIBC Mellon Trust Company,  
Halifax, Montreal, Toronto, Winnipeg,  
Regina, Calgary and Vancouver  
Answerline™: 1 800 387-0825  
E-mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)  
Website: [www.cibcmellon.com](http://www.cibcmellon.com)

### Stock Dividend Plan

Under the Corporation's Optional Stock Dividend Plan, shareholders may, if and as determined by the Board, elect to receive their dividends in the form of Class "A" non-voting shares instead of cash. Shareholders wishing to obtain more information about this Plan should write to the Secretary, 1555 Notre-Dame Street East, Montreal, Quebec, H2L 2R5.

### Fiscal 2004 Key Dates

Fiscal year-end March 31, 2004. Interim Reports to Shareholders are scheduled for mailing in August and November 2003 and February 2004.

### Annual Meeting

The Annual Meeting of Shareholders will be held in the John-Molson Room, located at 1670 Notre-Dame Street East, Montreal, Quebec on Thursday, June 19, 2003 at 11:00 a.m. Eastern Daylight Time.

### Shareholder and Investor Relations

Shareholders, institutional investors, brokers, security analysts and others desiring financial information, having inquiries or wishing to obtain copies of the Corporation's Annual Report or Annual Information Form should write to:

Investor Relations, Molson Inc.,  
1555 Notre-Dame Street East, Montreal, Quebec, H2L 2R5  
[investor.relations@molson.com](mailto:investor.relations@molson.com)

### Duplicate Annual Reports

Some registered holders of shares of Molson Inc. may receive more than one copy of shareholder information mailings such as this Annual Report. While every effort is made to avoid duplication, if securities of the same class are registered in different names and/or addresses, multiple copies are forwarded. Shareholders receiving more than one copy are requested to write to the Investor Relations Coordinator so that arrangements may be made to avoid duplicate mailings. The Annual Report is also available on line at [www.molson.com](http://www.molson.com).

### Rapport annuel

*Si vous désirez recevoir un exemplaire français de ce rapport annuel, veuillez vous adresser à la coordonnatrice, Relations avec les investisseurs, 1555, rue Notre-Dame Est, Montréal (Québec) H2L 2R5.*

### Financial & Operating Highlights

Molson is one of the world's largest brewers of quality beer with operations in Canada, Brazil and the United States. A global brewer with \$3.5 billion in gross annual sales, Molson traces its roots back to 1786 making it North America's oldest beer brand. Committed to brewing excellence, Molson combines the finest natural ingredients with the highest standards of quality to produce an award-winning portfolio of beers including Molson Canadian, Molson Export, Molson Dry, Rickard's, Kaiser and Bavaria.

	2001	2002	2003	Change vs 02
<b>Results (Dollars in millions)</b>				
Sales and other revenues	2,483.4	2,830.8	<b>3,529.2</b>	25%
Net sales revenue	1,857.1	2,102.3	<b>2,515.2</b>	20%
Comparable earnings before interest, income taxes and amortization	351.5	426.4	<b>580.5</b>	36%
Comparable earnings before interest and income taxes	302.1	371.8	<b>515.6</b>	39%
Comparable net earnings from continuing operations	141.6	194.1	<b>281.7</b>	45%
Net earnings	133.9	177.6	<b>312.4</b>	76%
Cash flow from operations before working capital and rationalization costs	232.0	292.3	<b>370.1</b>	27%
<b>Financial Position (Dollars in millions)</b>				
Assets	3,280.8	4,506.3	<b>3,914.6</b>	(13%)
Property, plant and equipment	914.9	1,188.5	<b>1,026.9</b>	(14%)
Intangible assets and goodwill	1,518.8	2,671.7	<b>2,322.9</b>	(13%)
Cash	70.1	71.0	<b>12.2</b>	(83%)
Current portion of long-term debt	—	58.9	<b>40.6</b>	(31%)
Long-term debt	1,204.4	1,687.2	<b>1,180.0</b>	(30%)
Shareholders' equity	795.4	1,173.9	<b>1,033.0</b>	(12%)
<b>Performance Ratios</b>				
Comparable return on shareholders' equity	15.6%	19.7%	<b>25.5%</b>	5.8%
Return on invested capital*	6.8%	7.4%	<b>10.1%</b>	2.7%
<b>Per Share (Dollars)</b>				
Comparable net earnings from continuing operations				
Basic	\$1.19	\$1.62	<b>\$2.21</b>	36%
Diluted	\$1.18	\$1.59	<b>\$2.18</b>	37%
Net earnings				
Basic	\$1.12	\$1.48	<b>\$2.45</b>	66%
Diluted	\$1.11	\$1.45	<b>\$2.41</b>	66%
Dividends	\$0.36	\$0.38	<b>\$0.42</b>	11%
Book value	\$6.65	\$9.19	<b>\$8.12</b>	(12%)
<b>Operating Data</b>				
Volume (Hectolitres in millions)	11.7	14.3	<b>23.1</b>	61%
Brewing capacity (Hectolitres in millions)	21.4	44.3	<b>39.0</b>	(12%)
Employees (Full time equivalents)	3,800	5,900	<b>5,400</b>	(8%)

\* Defined as comparable net income from continuing operations excluding after-tax interest expense divided by average net investment (net investment is calculated as total assets less current liabilities (excluding current portion of long-term debt)).

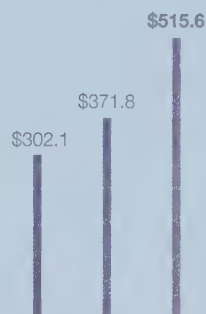
### Strategic Objectives

- 1 Grow operating profit by 14.5% annually
- 2 Grow market share annually
- 3 Grow volume by 4% to 5% annually
- 4 Organizational renewal
- 5 Improve quality

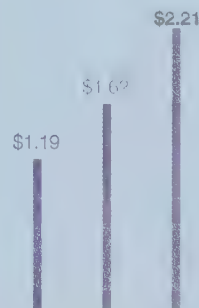
Net sales revenue  
(Dollars in millions)



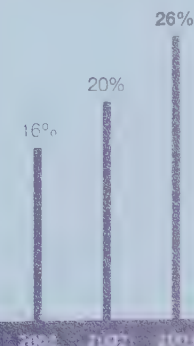
Comparable EBIT  
(Dollars in millions)



Comparable net earnings  
per share



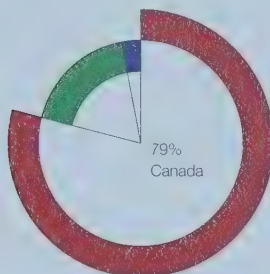
Comparable return on  
shareholders' equity



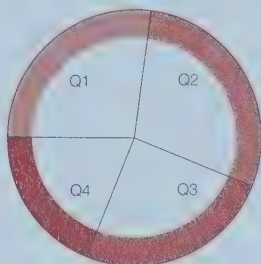
## **Canada**

100% Molson Canada  
49.9% Coors Canada

### Net Sales



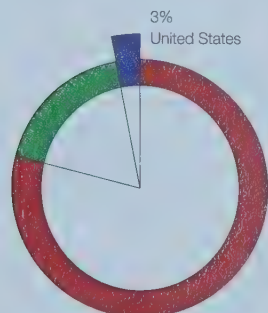
### Seasonality Quarterly Volumes



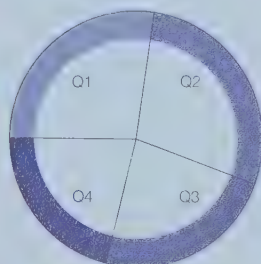
## **United States**

50.1% Molson USA

### Net Sales



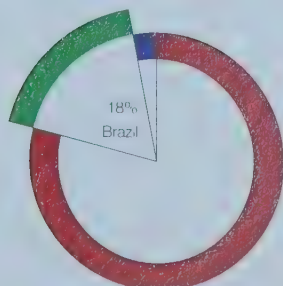
### Seasonality Quarterly Volumes



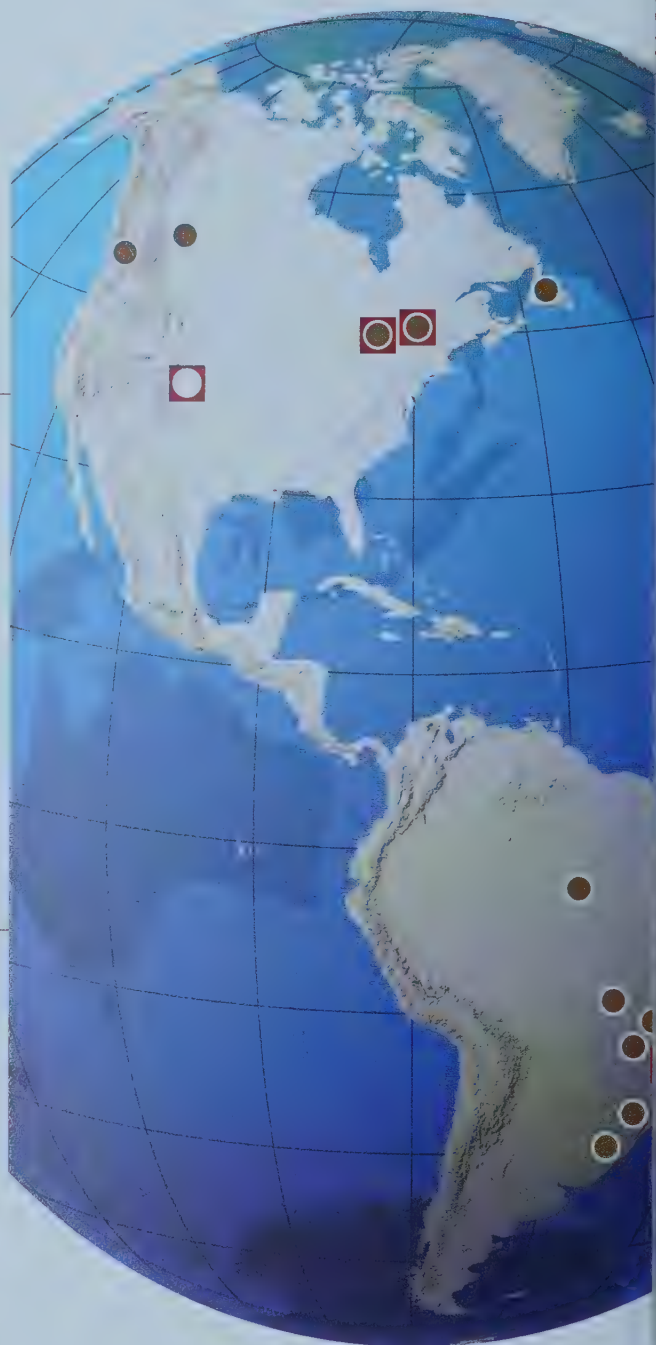
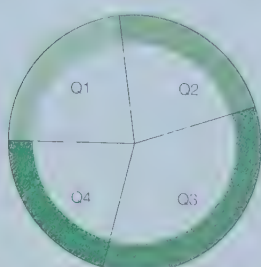
## **Brazil**

80% Cervejarias Kaiser

### Net Sales



### Seasonality Quarterly Volumes



## Main Brands

### Financial Highlights

(Dollars in millions)	2002	2003	Change vs 02
Sales and other revenues	2,520.1	<b>2,628.3</b>	4%
Net sales revenue	1,903.4	<b>2,001.4</b>	5%
Comparable EBITDA	427.6	<b>530.1</b>	24%
Comparable EBIT	380.4	<b>485.4</b>	28%
Assets	2,529.7	<b>2,567.8</b>	2%

### Operating Highlights

	2002	2003	Change vs 02
Market share	45.1%	<b>44.4%</b>	(0.7%)
Volume (hl in millions)	9.50	<b>9.37</b>	(1%)
Brewing capacity (hl in millions)	13.5	<b>13.5</b>	0%
Breweries	5	<b>5</b>	
Employees	3,300	<b>3,300</b>	0%

#### Owned

Molson Canadian  
Molson Canadian Light  
Molson Dry  
Molson Export  
Molson Ex Light  
Rickard's  
A Marca Bavaria

#### Partners

Coors Light  
Heineken  
Corona  
MGD



### Financial Highlights

(Dollars in millions)	2002	2003	Change vs 02
Sales and other revenues	86.7	<b>84.9</b>	(2%)
Net sales revenue	71.2	<b>71.7</b>	1%
Comparable EBITDA	(5.7)	<b>(6.1)</b>	(7%)
Comparable EBIT	(5.7)	<b>(6.3)</b>	(10%)
Assets	160.2	<b>161.7</b>	1%

### Operating Highlights

	2002	2003	Change vs 02
Volume* (hl in millions)	1.90	<b>1.77</b>	(7%)

\* Including Foster's volume produced for the United States

#### Owned

Molson Canadian  
Molson Canadian Light  
Molson Golden  
Molson Ice



### Financial Highlights

(Dollars in millions)	2002	2003	Change vs 02
Sales and other revenues	224.0	<b>816.0</b>	n/m
Net sales revenue	127.7	<b>442.1</b>	n/m
Comparable EBITDA	4.5	<b>56.5</b>	n/m
Comparable EBIT	(2.9)	<b>36.5</b>	n/m
Assets	1,816.4	<b>1,185.1</b>	(35%)

### Operating Highlights

	2002	2003	Change vs 02
Market share	17.0%	<b>14.6%</b>	(2.4%)
Volume (hl in millions)	2.96	<b>11.94</b>	n/m
Brewing capacity (hl in millions)	30.8	<b>25.5</b>	(17%)
Breweries	13	<b>10</b>	
Employees	2,600	<b>2,100</b>	(19%)

#### Owned

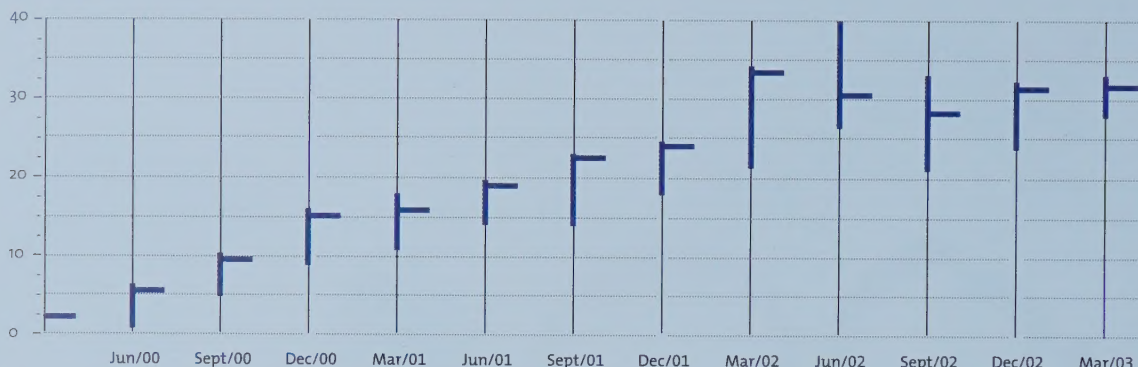
Kaiser  
Bavaria

#### Partners

Heineken



## Toronto Stock Exchange



TSX: MOLA	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4
Share Price:												
High	\$14.875	\$17.625	\$21.975	\$23.30	\$24.50	\$26.87	\$28.00	\$34.92	\$39.20	\$33.70	\$33.50	\$34.60
Low	\$10.550	\$13.700	\$16.575	\$18.25	\$20.65	\$22.33	\$24.00	\$26.01	\$30.85	\$26.84	\$28.03	\$30.70
Close	\$14.475	\$17.125	\$21.500	\$22.00	\$24.00	\$26.87	\$28.00	\$34.92	\$32.95	\$31.00	\$33.45	\$33.67
Volume traded ('000s)	11,870	9,224	10,534	16,792	20,191	13,567	14,601	22,563	26,252	24,942	25,657	22,624
Dividends per share	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.10	\$0.10	\$0.10	\$0.10	\$0.11	\$0.11

## Capitalization at Book Value as at March 31

(Dollars in millions)	2001	2002	2003
Current portion of long-term debt (net)	(70.1)	(12.1)	<b>28.4</b>
Long-term debt	1,204.4	1,687.2	<b>1,180.0</b>
Shareholders' equity	795.4	1,173.9	<b>1,033.0</b>
Total capitalization	1,929.7	2,849.0	<b>2,241.4</b>

## Common Shares (March 31, 2003)

Outstanding Shares (Millions)	Outstanding
Class "A" non-voting	104.8
Class "B" common shares	22.5
Total	127.2
Weighted average – basic	127.3
Weighted average – diluted	129.5

## Key Dates in Fiscal 2004

Dividends	Record Date	Payment Date
	June 13	July 1
Classes "A" & "B" shares	September 15	October 1
	December 15	January 1
	March 15	April 1

Results	Announcement Date
First quarter	July 29
Second quarter	November 5
Third quarter	January 28
Fourth quarter	May 5

## Stock Exchange Listing

The Toronto Stock Exchange  
Molson is part of:  
TSX 300 Index  
TSX 60 Index

## Trading Symbols

Class "A": MOLA  
Class "B": MOLB

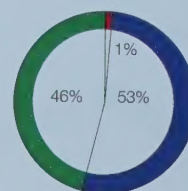
## Head Office

Molson Inc.  
1555 Notre-Dame Street East  
Montreal, Quebec H2L 2R5  
Telephone: (514) 521-1786  
Facsimile: (514) 598-6866  
www.molson.com

## Market capitalization End of fiscal year (Dollars in millions)



## Capitalization at book (Dollars in millions)

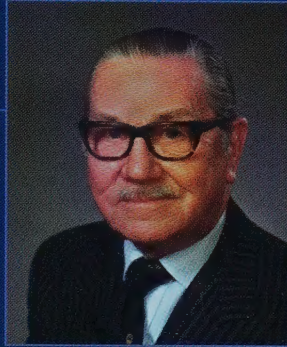


Current portion of long-term debt (net)	\$28.4
Long-term debt	\$1,180.0
Shareholders' equity	\$1,033.0

## Credit Ratings as at March 31, 2003

	DBRS Rating	S&P Trend	Rating	Outlook
Commercial paper	R-1 (low)	Stable	–	–
Senior debt - Molson Inc.	A (low)	Stable	BBB+	Negative
Senior debt - Molson Canada	A	Stable	BBB+	Negative

## In Memoriam



On September 30th 2002, Senator Hartland de Montarville Molson passed away and with his passing a chapter in the Molson history came to a close.

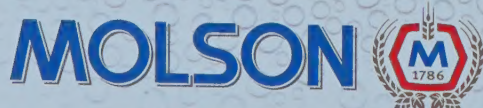
Senator Hartland Molson played a vital role in building Molson into the company it is today. Hartland Molson served the Corporation in a variety of positions over a fifty-year period: President between 1953 and 1966, Chairman between 1966 and 1974 and Honorary Chairman between 1974 and 1983. He retired from the Molson Board of Directors in 1988.

Hartland Molson led Molson through a period of phenomenal growth, which saw the company establish brewing operations in western and eastern Canada. Under his presidency, Molson opened a state-of-the-art brewery on the shores of Lake Ontario in 1955, which was designed to brew the company's first lager, then called Crown and Anchor, and now better known as Molson Canadian.

Involved throughout his life with amateur and professional sports, Hartland Molson had a love for the sport of hockey that led him to give the Montreal Canadiens a Molson face, establish a sponsorship agreement with Hockey Night in Canada and contribute significantly to the establishment of the Molson brand.

Hartland Molson was a visionary and a builder. In all that he did, he set the highest standards for himself, leading by example. He was a man of principle, a true gentleman and he will be deeply missed by the entire "extended" Molson family.

[www.molson.com](http://www.molson.com)



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